WEDNESDAY FEBRUARY 3 1999

tion, the deal will also give the

US company a firm footbold in

One person close to the deal

said that, under the terms of the

agreement, Goodyear will in sev-

eral years be able to take 100 per

cent control of the US and Euro-

Six joint venture agreements

are to be unveiled today in New

York. Together they will have

combined annual sales of approx-

imately \$4.6bn, in effect adding about \$2.5bn to Goodyear's

annual sales of about \$12.5bn.

Sumitomo has about \$3.8bn of

annual tyre sales, including

Goodyear declined to comment

The deal, if completed, could

yesterday and Sumitomo could

not be reached for comment.

Adaptify... Springlike Saker

the Japanese market.

pean joint ventures.

about \$1hn in Japan.

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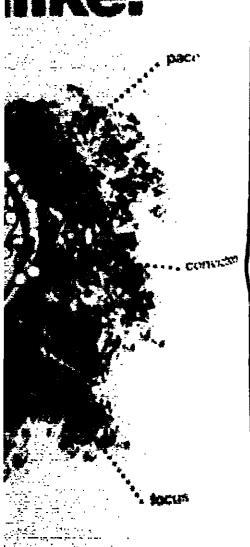
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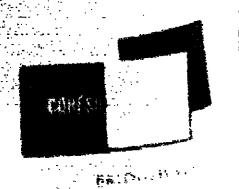
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World Business Newspaper http://www.FT.com



Elections in Turkey Struggle for the hearts and minds of the Kurds Page 3



Goodyear Tire & Rubber, of the

US will today unveil the biggest ever US industrial deal in Japan

by taking a controlling interest.

in the tyre business of Sumitomo

Rubber Industries, the second

The deal, to be termed a global

alliance between the two com-panies, will make Goodyear the

largest tyre group in the world

ahead of Michelin of France and

It is likely to set off a wave of

speculation about further consoli-

dation in the \$75bn industry and

copycat US-into-Japan deals in

According to people close to

the deal, the complex transaction

will result in Goodyear taking a

controlling investment in the

Japanese company's US and

Bridgestone of Japan.

other sectors.

largest Japanese tyre maker.

Target currency zones US agreement not necessary Martin Wolf, Page 14



US tyre group will take controlling stake in Japanese business

Goodyear, Michelin and Bridge-

smaller companies such as Yoko-

bama of Japan and Continental

of Germany will be able to remain independent.

be operational agreements and

two are support ventures. Good-

year will also take a 10 per cent

stake in Sumitomo Rubber, and

the Japanese group will take the

same dollar value stake in the US

Almost seven years since he led a

falled military coup, ex-paratrooper

Hugo Chávez, left, was swom in as

/enezuela's new president, as for-

mer president Rafael Calders, cen-

tre, looked on. Report, Page

Editorial Comment, Page 15

Four of the joint ventures will

DaimlerChrysler Cultural challenges ahead for Renschler, the integrator Interview, Page 12

ES IN ES

Digital Marketplace Companies embrace IT to keep customers happy Separate section

WORLD NEWS

Albanian rebels agree to attend Kosovo peace talks

Ethnic Albanian rebel commanders in Kosovo have sorsed to send a delegation to peace talks as Nato warned that the Serbian government would face air strikes if it falled to join the negotiations. Page 16; US debates commitment of ground troops, Page 2

Brussels says aid helps regions The European Commission warned of the dangers of the European Union cutting regional aid, after publishing "Indisputable" evidence that the funds narrow the gap between rich and poor areas. Europe, Page 2; Finland to use presidency to emphasise reform, Page 3

Ecuador states US and EU Ecuador, the world's largest banana exporter, reproached the US and European Union for trampling on its interests while exploiting the transatiantic banana dispute for their own purposes. Trade, Page 9

French senate holds up legislation Important pieces of the French government's legislative programme are being held up by the senate, the second chamber of parliament controlled by the centre-right. Europe, Page 3

Hungary reaffirms Croatlan plan Hungary's prime minister has reaffirmed plans to sign a free trade agreement with Croatia, a move that may contravene European Union law and provoke a dispute over Hungary's entry to the EU. Trade, Page 9

Fischer calls for strategy on Russia Joschka Fischer, Germany's foreign minister, said the European Union had to adopt a strategy towards securing democratic and institutional reform in Russia. Europe, Page 3

Gibraltar secures fishing deal Peter Caruana, Gibraltar's chief minister, has secured a bilateral end a conflict over the use of waters around the disputed British colony. Europe, Page 2

tille Butaper 🐧

Algerian presidential race heats up Algeria's presidential election campaign began in earnest when Abdelaziz Bouteflika, the former foreign minister believed to be. backed by the army, announced his candidacy. International,

india restores food subsidies India's governing Bharatiya Janata party bowed to protests from its coalition partners and withdrew a series of cuts to food subsidies affecting the country's poor. Asia-Pacific, Page 8

US-Pakistan talks make progress The US and Pakistan reported progress in talks at which Strobe Talbott, US deputy secretary of state, urged Islamabad to accept international nuclear safeguards. Asia-Pacific, Page 8

Yemeni tribesmen release hostages Tribesmen in Yemen have freed a Dutch family and a British couple unharmed more than two weeks after they were abducted.

Eight killed in Czech has crash A bus crashed into a truck parked on highway north of the Czech capital of Prague, killing eight people and injuring 26.

BUSINESS NEWS

Commodity prices may never recover warns World Bank

Global commodity prices may never fully recover from their hisfor emerging economies, the

Preussag, German leisure, travel and industrial group, is to raise about DM2bn (€1.02bn, \$1.1bn) for tourism interests, which have replaced steel, coal and engineering as its core activity. Companies and markets, Page 17

UK Active Value, fund manager, raised \$800m to target underperforming companies in northern Europe. Companies and mar-

DeCode Genetics, Iceland's first biotechnology company, is con-sidering a stock market listing in New York and Reykjavík, Inter-national companies, Page 22

Eurotunnel, Channel Tunnel operator, paid £38m (\$62m) to repurchase £134m of loan notes issued as part of last year's financial restructuring. UK companies, Page 24

Alphatec Electronics creditors approved a debt restructuring plan for the alling Thai semiconductor company. Companies and markets, Page 17

General Motors, US carmaker, is to take full control of its joint venture with the C. K. Birla Group, the Indian engineering and motor company. US compa nies, Page 20

ralse its stake in Smart Commu Pacific companies, Page 23

Thai Petrochemical Industry is to pay interest on loans to creditors who voted for its \$3.2bn debt restructuring. Asia-Pacific companies, Page 23

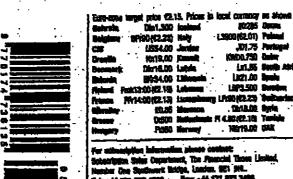
Bank of East Asia, Hong Kong based bank, reported a 415 per cent increase in provisions for bad and doubtful loans, Asia-Pacific companies, Page 23

Nomura Securities, Japan's targest broker, is considering large Japanese companies before the end of the financial year. Azia-Pacific companies,

Enerals shareholders, vote tomorrow on the sale of Chile's biggest electricity distributor's 25 per cent holding in Endesa Chile. Latin American companies,

WORLD MARKETS STOCK MARKET INDICES GOLD New Yark Comet 4,243.57 5,166.87 1,4003 **EURO Lando**

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Goodyear to link with Sumitomo

toric lows of the past 18 months, with far-reaching consequences World Bank said. Companies and markets, Page 17; Com-modities, Page 28

kets, Page 17

Karamic Lauten, Europe's second biggest sanitary ware manufacturer, and rival Sanitec are understood to be considering a crossborder merger to create Europe's biggest sanitary ware company. European companies, Page 18

Ningon Telegraph and Telephone

has agreed to pay \$214m to nications, the Philippine cellular telecommunications operator, from 15 to 37 per cent. Asia-

selling its equity stakes in severa Page 23; Dentsu link, Page 22



Brazil bank chief goes after 3 weeks

By Gooff Dyer in São Paulo and Richard Waters in New York

Brazil has changed its central bank president for the second time in less than three weeks as the government scrambles to rebuild its credibility after last month's forced devaluation.

President Fernando Henrique Cardoso nominated Arminio Fraga, a former director of the central bank, to be the new president, pending approval by the Senate. Until last week Mr Fraga was a managing director of Soros Fund Management, which runs the investment funds of George

Soros, the billionaire investor. Mr Fraga would replace Francisco Lopes, who took over as president on January 13 when the government abandoned its currency peg to the dollar and whose appointment was only passed by the Senate last week. Despite the uncertainty, the

Real continued to strengthen against the dollar, with investors confident the government would sign a revised financing agreement with the International Monetary Fund this week. By mid-afternoon, the Real was

at R\$1.75 to the dollar, after closing at R\$1.92 on Monday. Shares in São Paulo were 2.6 per cent lower, while international bond prices were higher. The surprise change of personnel at the central bank was actu-

ally welcomed by investors, who said that Mr Fraga would have more experience of international financial markets and of how the

new floating currency regime should operate.

"He's a very respected economist, and I think markets will take this positively," said Mar-celo Carvalho, chief economist

for JP Morgan in Brazil. However, Mr Fraga's close association with Mr Soros, whose funds have been accused of provoking currency crises in other countries, could cause political problems, notably from the left opposition.

José Dirceu, the national presi dent of the leftwing Workers' party, described the appointment as a "true scandal". He added: "The government has delivered the central bank into the hands of one of the biggest speculators in the world, the Soros group." At a press conference to

explain the departure of Mr Lopes, Pedro Malan, finance minister, said the move did not mean any change in the new floating exchange rate policy.

He denied that Mr Lopes' resig nation had been the result of pressure from the IMF, which he said had not been consulted over the matter.

However, investors were unset tled by Mr Malan's admission that both he and Mr Lopes had offered their resignations to Mr Cardoso last week. "There must have been some disagreement between Lopes and Malan," said Antonio Carlos Magalhães, president of the Senate.

Hedge-fund poscher, Page 4 Brazil kurches, Page 20

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Capital Markets 26

European tyre interests. In addi- lead the way for a number of The North American joint venother US takeovers of Japanese ture will be majority owned by companies. In recent months Goodyear and will comprise both there have been a spate of deals Sumitomo's US tyre plants. among US and Japanese financial It will have sales of about services groups, but few signifi-cant industrial deals.

\$800m. Goodyear is the largest north American tyre company with annual US sales of approxistone now make up a leading mately \$6bn and the Sumitomo group of three in the global tyre industry, and there is likely to be plants will reinforce that lead. The European joint venture speculation about whether

will also be majority controlled by Goodyear, and will have annual sales of about \$4bn and 25,000 staff. It will make Good-year the second largest European tyre company behind Michelin of France, with a market share of approximately 20 per cent.

Dunlop, acquired by Sumitomo more than a decade ago, is said by analysts to have lost part of its status as one of Europe's leading tyre brands. Linking with

Goodyear is aimed at helping revitalise the group's presence across the continent.

There are to be two Japanese joint ventures, one for replacement sales and one for original equipment. While both are to be majority controlled by Sumitomo. they will give Goodyear a solid foothold in the world's second

largest tyre market. A fifth joint venture will see the two companies share research and development technology, creating a unit that will spend approximately \$550m a

The sixth is a purchasing joint venture, controlled by Goodyear. This is expected to yield annual synergies of about \$300m.

Morgan Stanley Dean Witter advised Goodyear and Warburg Dillon Read advised Sumitomo.

Plan for BoJ to underwrite bonds

By Michiyo Nakamoto and Gillian Tett in Tokyo

A key member of Japan's ruling Liberal Democratic Party has proposed an emergency measure to allow the Bank of Japan to underwrite Japanese government bonds in an effort to ensure a market decide," he said. sustainable economic recovery. Ichiro Ohara, a close adviser to

wants the BoJ to buy an agreed amount of government bonds over a two-year period. This can be done with the understanding that it is a tempo-

prime minister Keizo Obuchi.

rary measure," said Mr Ohara. "We have to work with all our might to revive the economy." His proposal highlights growits efforts to resuscitate the econ-

ground of sharply rising bond The yield on the benchmark 10-

rising interest rates. Taichi Sakaiya, economic plan- Barry Riley, Page 17 ning minister, insisted that bond Bonds, Page 26

mal" and would not affect corpo

rate spending.
And Kiichi Miyazawa, finance minister, said the government would not intervene. "I will monitor (the yields) carefully if the move becomes abnormal but for the moment we should let the

The rise in yields helped push the yen up sharply against the US dollar. The markets also reacted to remarks made by Elsuke Sakakibara, deputy finance minister for international affairs, who repeated his view that the IIS economy was heading for a downturn and that trade tensions would increase.

The US currency - which fell to an intra-day low of Y112.90 in ing concern within the ruling Tokyo - again dipped below Y113 party that Japan has exhausted in European trading, Y2 lower

than its close on Monday. Mr Sakakibara said Japan's omy and comes against a back-financial crisis was over or ending. "I think it will be over in one

or two weeks," he said. Under Japanese law, the cenyear government bond contract tral bank is not allowed to undersurged to 2.31 per cent yesterday, write government bonds directly its highest level since July 1997. and there is strong resistance to Senior Japanese government the idea at the Bank itself, on the ministers were forced to reassure grounds that it could re-ignite the markets that the economy inflation and undermine the indewould not be too badly dented by pendence of the central bank.

yields of 2 per cent were "nor- Currencies, Page 27



WORLD NEWS

US debates Kosovo troops commitment

The Clinton administration yesterday continued to Agency, told the Senate debate whether to commit ground troops to Kosovo, as US intelligence chiefs painted a pessimistic picture of developments there and said a Nato ground force

would be essential part of a solution to solve the conflict. "We believe that we are on the verge of a dramatic deterioration of the Kosovo crisis as the limitations of winter Tenet, director of the Central Intelligence Agency.

Schröder

steps into

wage

Chancellor

dispute

By Tony Barber in Frankfurt

Schröder urged German

metal industry employers

yesterday to make a sensible

wage offer to trade unions

and said the nation's eco-

nomic well-being required an

end to its growing labour

Making his first interven

tion in a conflict that has

seen thousands of industrial

workers hold short strikes

and demonstrations. Mr

Schröder said on German

television: "What is being

negotiated now will affect

the future far beyond this year. I have confidence in

the parties' economic rea-

However, speaking later in

a separate television inter-

view, he appeared to lean to

the unions' side, comment-

ing that metalworkers had

been obliged for some time

unemployment of more than

cutting interest rates. The

ECB says it wants clear evi-

dence of wage restraint in

the euro-zone before it

reduces its main refinancing

The small, scattered

strikes continued yesterday

as about 10,000 workers from

40 companies staged brief

walkouts in the state of

North Rhine-Westphalia.

About 7,000 workers fol-

IG Metall's deputy leader

Jürgen Peters, said the

employers were to blame

because workers' pay had

fallen by 7 per cent in real

terms in the past five years,

had risen by 200 per cent.

whereas corporate profits

But the managing director

of the employers associa-

tion, Thomas Vavna. said

the offer of 2 to 2.5 per cent

was generous since inflation

was close to zero in Ger-

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FRANCE

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4m people.

Gerhard

Mr Tenet and Lt General Patrick Hughes, director of

the Defence Intelligence armed services committee, that they viewed ground forces as essential to resolve the conflict. However, they conceded

that the mission in Kosovo would be fraught with more danger than that of the peacekeeping force in Bosnia because the parties to the conflict were not yet exhausted and because the terrain and geography was

supporting a peace agreement in Kosovo, saying it was a political decision. William Cohen, defence secretary, said on Monday that no

decision had been taken on whether to commit US troops - or whether they should be placed under a foreign commander - but that President Bill Clinton had received preliminary briefings on the issue. "My personal view is that

ovo and that any participa-

Congress would be consulted before a decision was taken on whether to commit troops. Some support was our European allies must evident yesterday among bear a substantial burden in lawmakers. Senator John terms of dealing with Kos-Warner, the Republican who

should be as small as it undermine gains in Bosnia US contingent would be and put US troops at greater

Senator Joseph Lieberman, a Democrat, said he was encouraged to hear-that the portion of US troops would be lower than at the outset in Bosnia. "And if one of the condi-

tions of that is for the Europeans to assume more responsibility, including command of those troops, I think we have to be pre-pared for that," he said.

The US initially committed 20,000 troops to Bosnia, the bulk of the Nato force, and reached, he said."

whether US troops should be tion by the United States instability in Kosovo could 6,900 remain. In Kosovo, the committed to a Nato force should be as small as it undermine gains in Bosnia US contingent would be expected to be smaller initially - reportedly 5,000 to 7,000 of a roughly 30,000 strong contingent.
Alain Richard, French

defence minister, said yester day that France would proyide a sizeable contingent to to ensure Europe was the single largest contributor. Without any prejudice to

the negotiations, we are preparing to contribute, together with our allies and especially our British partners, to set up a force to

Brussels says aid does help regions

By Michael Smith in Brussels

The European Commission warned yesterday of the dangers of the European Union cutting regional aid, after publishing "indisputable" evidence that the funds narrow the gap between rich and poor areas.

A Commission analysis showed that in the decade to 1996, gross domestic product per head in the Union's 10 poorest regions increased from 41 per cent of the EU average to 50 per cent. GDP per head in Spain,

countries, rose 10 percentage points to 75 per cent and will reach 77 per cent this year. The analysis comes as EU countries move into the final stages of negotiation for the Commission's "Agenda 2000" proposals for reforming EU

spending on structural

funds, mainly regional aid,

and the Common Agricul-

Countries including Germany. France and the UK are pressing for budget "stathe Commission's proposal to set aside €240bn (\$273bn)

for spending on structural funds between 2000 and 2006 in the existing EU countries is too generous. According to the Commission, a hudget freeze as suggested by the German presidency of the EU would lead to an 18 per cent cut in structural fund spending in 2000.

could be, given the military

requirements for adequate

protection," Mr Cohen said.

Mr Tenet described the

ceasefire negotiated last

October as "near collapse",

saying both sides were pre-

paring for heavier fighting

Mr Cohen said members of

chaired the committee, said

than in the spring.

regional affairs commissioner, said yesterday that this would be unacceptable. "Poorer nations would not be able to cater for these bilisation". Some argue that reductions," she said. Countries subject to the financial

Monika Wulf-Mathies,

catch-up of the poorer countries was due to structural funds. It says the funds have

economic convergence in the

EU between 1986 and 1996

had been driven largely by

closer economic integration,

but that up to half of the

helped poorer regions

ing, she said.

find it difficult to maintain per cent in the EU as a whole between 1989 and 1996 spending on infrastructure. which still needed upgradbut by 46 per cent in Portugal, 82 per cent in Greece The Commission said its 100 per cent in Spain and 150 analysis showed that the per cent in Ireland. "unusually rapid" pace of

However, disparities remain, particularly in unemployment. Mrs Wulf-Mathies said she would not be prepared to accept a budget settlement that penalised structural funds plans heavily but left agriculture largely untouched. "We do not want to use structural

Gibraltar secures fishing deal Austrian

Peter Caruana, Gibraltar's chief minister, has made a political gamble by securing a bilateral deal with Spanish fishermen to end an escalating and explosive conflict over the use of waters around the disputed British

to accept a fall in real wages. The preliminary agree-"If there is real growth [for ment, secured by Mr Carbusiness], then the other uana on Monday night after side must profit from it as two days' intensive talks. well." he said. goes against official Spanish The conflict which broke policy on Gibraltar and a out in earnest last Friday, recent swell of Gibraltarian centres on the demand of opinion opposing any con-Germany's largest trade cession to Spanish fishing union, IG Metall, for a 6.5

Abel Matutes, Spanish for for its 3.4m members. The eign minister, made clear employers' association, Madrid would not endorse Gesamtmetall, has refused to the agreement, since the offer more than 2 per cent, Spanish government did not plus up to 0.5 per cent in recognise the Gibraltar one-off benefits. authorities and dealt only A prolonged conflict could with the UK government. undermine the centre-left But he said it would not government's efforts to oppose the deal if it enabled reduce chronically high fishermen to resume activ-

ity.
"If Señor Matutes sticks It may also cause the his oar in and undermines it, European Central Bank. he and only he will bear which is responsible for setresponsibility for the ensuting monetary policy in the ing situation," Mr Caruana 11-nation euro-zone, to delay

warned in an interview. He attacked the Madrid government's "bullying tactics" and dismissed Spanish moves in Brussels to take the UK to task over the enforcement of European Union directives in Gibraltar as "political propaganda".

Spain argues the 1713 treety which ceded Gibrattar to Britain covered no waters outside the harbour

opponents: "They can protest until they're blue in the

Anti-Spanish feelings were still running high in Gibraltar yesterday because of a tightening of Spanish border controls, leading to a fourhour wait for cars leaving the colony.

The conflict, against the background of a continuing UK-Spanish sovereignty dispute, built up last year with a steen increase in Snanish vessels entering what Gibraltar claims are its waters. Spain argues that the 1713 treaty which ceded the Rock to Britain covered no waters

He also defied domestic outside the harbour.

Friction peaked this weekend after clashes between fishermen and Gibraltar police, in which a Spanish boat was temporarily impounded and its 14-man crew put on bail. Spanish demonstrators occupied the single frontier post between Spain and the tiny rock peninsula on Friday night, cut-

ting off the crossing. After the first round of talks in Gibraltar, the sixman Spanish delegation was mobbed by angry crowds, and Mr Caruana's car window was smashed in. The second round had to be held secretly in the colony's

Royal Air Force-operated air-

The outline deal, to be made public today after ratification by both parties, is understood to provide for a return to moderate fishing activity, as practised up to last year. This was tolerated in spite of a 1991 Gibraltar ban on commercial net fish-

According to Gibraltar officials, the fisherman would be committed to respecting the authority of Gibraltar police, and refrain from fishing in the area or blocking the border until the agreement was formally

Defence merger has potential for conflict on dual-use goods

Plenty of room exists for continuing friction over BAe's purchase of GEC's important Marconi division, writes Emma Tucker expected to flow from the head-up displays - a kind of



o one is predicting another British Air-ways-American Air-FINANCIAL TIMES
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ple, registered at the same address
GERMAN): lines-style bust-up. But there is still plenty of room for friction between the European Commission and the British government when it comes to investigating British Aerospace's £7bn (\$11.5bn) purchase of GEC's Marconi defence division.

The potential for conflict lurks in the question of who GERMANT:
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etc. 2017 investigates which bits of the merger. In theory, the UK will look at the defence parts and the Commission at the civilian. That leaves an in-hetween swathe of "dualuse" goods to which both Publishing Director: P Maraviglia, 42 Rue La Borne, 75008 PARIS, Telephone (01) 5376 \$254, Fax (01) 5376 \$253, Printer: sides will want to lay claim. Over the past few weeks, Commission officials and S 4 Nord Eclar, 15721 Rue de Carre, F-99100 Roubsix Cedes 1. Editor: Richard Lambert, ISSN 1148-2753, Communion Paritage No 67806D. government lawyers have

office blocks attempting to thrash out the boundaries. While Karel Van Miert, competition commissioner. recognises the sensitivity of the case, he is determined not to be pushed to the sidelines on this or any of the other big defence mergers

been holed up in Brussels

restructuring of Europe's television picture which defence sector. This, until now, was

exactly what happened. To stop Brussels prying into defence deals, governments invoked Article 223 of the European Union's founding treaty. This says that a member state does not have to hand over information if it believes disclosure would endanger national security. As national defence mar-

kets begin to break down and companies start reorganising at a European level, it will be harder for governments to play the national security card to beat off scrutiny by Brussels.

Mr Van Miert already believes that Article 223 was applied too loosely in the past, allowing defence mergers to proceed with insufficient examination of their impact on civilian markets. He points out that virtually all defence mergers have

tain thresholds, should be notified to Brussels under. lines the EU merger regulation. So too, should the so-called dual use goods. But governments may not agree. For example, GEC-Marconi is the world's leading producer of

some civilian elements.

These bits, if they meet cer-

superimposes an aircraft's control panel onto the glass in the pilot's line of sight. These were originally developed for military aircraft. But last year GEC won a contract from American Airlines to adapt the technology for its fleet of Boeing

Will the British government try to apply Article 223 to head-up displays? "If you have a technology which is 98 per cent military but where 2 per cent has found. its way into the wing flaps of one particular Airbus, is that a dual-use good?" asks one Brussels-based competition

o far, everyone on both sides is being very Ogrown up. There has been no public slanging match as there was when British Airways, backed by the British government, told Mr Van Miert that he had no claim over its proposed link-up with American Air-

But in that case, it was genuinely unclear who had legal jurisdiction. British Airways was also backed by a government hell-bent on whipping up a battle with

Brussels - not a path likely to be pursued by the present administration.

But even if the two sides agree on which bits of the merger go to Brussels and which stay at home, other people could make life diffi-

The proposals to form a huge UK weapons maker came as a disappointment to other European companies (particularly in France and Germany) which had been working with BAe and GEC on cross-border mergers. It is no secret that political considerations always hover over competition iss French and German disgruntlement may up the ante in Brussels.

There may also be a battle inside the Commission between competition purists and those who think the need for consolidation in the European defence sector. rather than worries over the creation of dominance. should be the first consideration in assessing the

All this means that the BAe GEC marriage is going to be something of a test case. Others are not far behind. France will have some negotiating to do over its plans to merge Matra. Aerospatiale and Dassault. Like the British govern-

ment, it should bear in mind that the Commission is no longer content to take a. back seat in an area now so decidedly European. As one Commission official says: "It is only normal that we will look again at what we have

المكذا من الأصل

banks near Holocaust accord

nd Richard Wolffe

Sources close to the neg groups had agreed "in prin

ciple" a framework to end their claims against Bank Austria and Creditanstalt in return for a sizeable cash payment, and the opening of the banks' archives to allow further investigations into the German banks.

Further intense negotiations chaired by Mr D'Amato continued between the two teams of lawyers in New York this week.

US governments are already involved in attempting to negotiate a cettlement. Bank Austria and Credi

The World Jewish Congress declined to comment on the deal.

Bank Austria and Creditanstalt, the two largest Austrian banks, yesterday moved closer to settling US lawsuits brought against them by lawyers representing Holocaust victims, in a deal which could increase the pressure on German hanks to settle litigation. tiations said that Jewish

The banks emphasised that no final settlement had been reached or signed, and said compensation figures quoted in the Austrian press varying from \$42m to \$92m were "pure speculation".

Alfonse D'Amato, the former US senator who was appointed to act as a special mediator with the full pow ers of the court at the end of last year, announced two weeks ago that he expected to reach a settlement after meeting in London with israel Singer, secretary-general of the World Jewish Congress, and Gerhard Randa, chief executive of Bank Austria and chairman of the supervisory board of

Creditanstalt.

The compensation money would be paid into an international humanitarian fund. It is important to the Jewish représentatives that the banks make a recogni tion of their "moral responsi bility" for handling looted gold and the "Aryanisation" of Jewish businesses during the war. The settlement includes

the opening of the Austrian banks' archives to Jewish groups that are still suing three German banks – Deut sche Bank, Dresdner Bank and Commerzbank - over their role in the Holocaust. -The action against the German banks, which are potentially liable for much greater sums of money, will continue. The German and

tanstalt have made clear throughout the process that they wished to settle; and to do so separately from the German banks. Jewish groups now appear to have accepted the Austrians' arguments that they were taken over and controlled by the German hanks after the annexation of Austria.

NEWS DIGEST

ITALIAN INDUSTRIAL ACTION

Metalworkers to strike over wage bargaining

Italy's 1.8m metalworkers yesterday announced a four-hour strike to take place on February 18, in protest at the failure of employers to agree a new format for wage Just 24 hours after the Italian government formally

signed a new social contract with employers and trade unions, Italy's metalworkers - the largest labour sector in the country - announced the strike, warning that it could herald a new spiral of industrial action. The strike has been called after the refusal of Federmen.

canica, the employers' association for the sector, to accept wage bargaining at both national and company

"Federmeccanica is insisting that there should be only one round of negotiations and is refusing to enter into any discussion on cutting working hours," said a spokesmen for the CGIL, one of three main unions.

The unions are angry at Federmeccanica's stance, noting that the continuation of dual level negotiations was enshrined in the new social pact. James Blitz, Rome

DANISH PENSION FUND

Two charged in forgery case

A senior pension fund director and a property developer are to appear in court in Copenhagen today charged with forgery involving sums of at least DKr2bn (\$305m). Rasmus Trads, managing director of the property arm of PFA Pension, one of Denmark's largest pension funds with

assets of about DKr120bn, has been charged with Kurt Global Money Management, a bi-weekly magazine, said Mr. Trads is alleged to have forged the signature of his boss on bank guarantees used by Mr Thorsen. Thorsen, a property developer.

Bent Hansen, of the Copenhagen police fraud department, said millions of individuals in Denmark had money invested in PFA. PFA has said that it would not suffer any financial loss as a result of the alleged forgery.

Mr Hansen said he was also investigating the possible involvement of Banco Bilbao de Vizcaya, a Spanish bank. Mr Trads and Mr Thorsen are being held in Copenhagen city jali and could face penalties of up to eight years in prison if convicted. Jane Martinson, London

RUSSIA AND OECD

Plan to boost technical help

The Organisation for Economic Co-operation and Development plans to boost the amount of technical assistance it provides to Russia. Donald Johnston, the secretarygeneral of the club of leading industrial nations, said after meeting Yevgeny Primakov, the Russian prime minister, In Moscow yesterday that he would seek support from members for additional programmes.

The OECD investment in Russia is modest in monetary terms – about FFr30m (64.5m, \$5m) largely in the form of staff secondments - but one official sald new proposals developed in coming months could increase that figure by a significant "multiple".

The OECD's interest shows a continued commitment by political turmoil and financial crisis. The organisation's own projections suggest there will be a 5 per cent drop in GDP this year and 150 per cent inflation ahead of any new economic plan. Andrew Jack, Moscow

ROMANIA

Bank default fears eased

Romania's central bank this week eased fears of a poss ble default when it paid €193m (\$212m) against a 1991 credit from the European Union. The payment constitutes more than half of the \$404.8m in foreign debt service which falls due this month

The news coincided with a central bank announcement that official foreign reserves, excluding gold, increased by \$316.6m in January to \$1.98bn. The increase was due to a payment received from OTE, the Greek telecoms operator, for a 35 per cent stake in RomTelecom, Romania's national telephone monopoly, that it bought for \$675m last

This year Romania faces foreign debt service payment of \$2.9bn

Analysts believe that default is likely unless the government can reach a fresh standby agreement with the International Monetary Fund, an agreement that hinges on the passage of this years budget and a bank recapitalisation programme, Joe Cook, Bucharest

POLISH BLOCKADE LIFTED

Farmers begin talks

Polish farmers yesterday suspended a week-old campaign of road blockades after intervention by the church and began talks with the government on extra assistance for agriculture.

A team of mediators led by Bishop Roman Andrzejewski, pastor to the farmers, was called in on Monday night to try to resolve a dispute that has disrupted traffic nationwide and led to clashes with police. Farming groups agreed to remove their barricades after the government issued an order that police were no longer to use force to clear pro-

Some 25 major roads were barricaded on Tuesday before the protest was lifted. Officials say talks between government ministers and union leaders will focus on extra help for farmers impoverished by the collapse of food exports to Russia. Reuters, Warsaw

LITHUANIA

Refinery accuses Lukoil

The Lithuanian government has asked Russia to explain why the supply of crude oil to a strategic refinery dried up over the weekend. Officials in Vilnius suspect they are being put under pressure to sell a stake in the refinery company to the Russian oil company Lukoil.

Russian oil supplies to the Mazeikiu Nafta refinery are co-ordinated by Lukoil, which is trying to buy a 33 per cent stake in the refinery. It has threatened in the past to out off oil supplies unless it is sold a stake. Negotiations to renew existing supply contracts failed last week.

The Lithuanian government said last Friday relations between the two countries would be damaged if Lukoil or Russian government institutions were intentionally withholding the oil.

Williams International of the US said on Monday it stood by its decision to pay \$150m for a 33 per cent stake in Mazelkiu Nafta. Lithuania has in the past said that Lukoii is welcome to submit a bid in an open tender for a part of the 59 per cent stake still owned by the government. Matej Vipotnik, Riga

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NEWS DIGENT

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An uneven battle for Kurdish hearts and minds

The Turkish authorities appear to be refusing to make a distinction between 'terrorists' and Kurdish representatives ready to find a political solution, writes Leyla Boulton

tinues his search for a country that will accept him, Kurds within Turkey are beginning to feel under more pressure than ever.

The Turkish authorities, having vowed to track down Mr Ocalan and proclaim the end of the "world's bloodiest terrorist organisation", is at the same time trying to ban the party many Kurds are expected to vote for in elections in April.

The country's chief prosecutor on Friday accused the non-violent pro-Kurdish People's Democracy party (Hadep) of being "organi-cally linked" to Mr Ocalan's Kurdistan Workers party, or PKK, which has waged a 15-year guerrilla war in which 29,000 people have died.

The constitutional court will today decide whether to accept the prosecutor's application for proceedings to begin against Hadep, which

rejects the charges. The prosecutor's action was nevertheless interpreted by some analysts as another sign of the Turkish government's refusal to make any distinction between PKK Kurds' sense of alienation are all PKK."

hile the exiled Kurd- "terrorists" and a wide spec- and their strong religious ish guerrilla leader trum of Kurdish representafeelings.

Abdullah Ocalan contives who could help find a

That the political route to addressing which in 1995 between them Kurdish grievances. Tur- won 64 per cent of the vote key's minority Kurd population wants so-called cultural ted to top the polls again is rights, such as Kurdish-language television, limited mainstream political parties

self-rule and more jobs in have long lost the battle for the south east, where they the hearts and minds of are in a majority and which most Kurds.

Bülent Ecevit, Turkey's prime minister, met the head of Turkey's intelligence service yesterday to discuss the whereabouts of Abdullah Ocalan, the wanted Kurdish guerrifia leader, local television said, Reuters reports from Ankara,

If, as expected, the slowmoving judiciary fails to outlaw Hadep before the April 18 poll, the south east will provide the stage for an electoral contest with the other group the Turkish establishment loves to hate - the

is one of Turkey's poorest

That these two parties: in the south east, are expecthe clearest sign that the tue's local deputy party

Kurdish leader stays elusive Separately, the Russlan foreign ministry denied reports in the Turkish press that Mr Ocalan had recently spent two weeks stranded at .

> a Russian military airfield. The Greek government repeated denials that Mr Ocalan was on its territory.

"Of course we will vote for Hadep," said one of thousands of refugees who moved to the shins of Divarbakir, the higgest city in the south east, after their villages were destroyed by the army in a campaign to flush out the PKK. "We don't think there's a link between Islamist party Virtue, which the two but if they have is able to draw on both the links with the PKK, then we

The irony is that neither party plans to spell out its policies for tackling Kurdish grievances before the elec-

In a cold unlit office in Diyarbakir, Sitki Zilan, Virchief, says that "the party could be closed down just because of one sentence" that might be misconstrued "separatist" by the

authorities. Disregarding the

new-found moderation of Virtue leaders in Ankara, who are trying to persuade a suspicious military they are fit to govern, he describes the army as "the biggest obstacle to democracy" in Turkey. Two years ago the armed forces removed from office a coalition led by Virtue's predecessor party, Welfare. Its response to the Kurdish question has been to wage a military campaign, costing the state \$7bn a year.

In an attempt precisely to avoid the sort of legal action launched against it last week, Hadep had always planned to avoid mention of the Kurds during the election campaign. "Our campaign slogans will be democracy, peace, and human rights," says Osman Ozcelik, a federation."

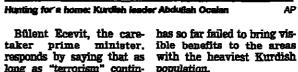


Hadep's deputy chairman in Ankara, complaining that "every time we say one word. (about Kurds) a new court long as "terrorism" continues, "public opinion" at case is opened against us". By contrast, local reprelarge will not agree to extend even cultural rights sentatives of mainstream perties have little to lose by to Kurds.

CONSERVATIVE CONTROL SOCIALIST GOVERNMENT'S CONSTITUTIONAL CHANGES HELD UP

Meanwhile, the fact that demanding more constructive policies from Ankara. people can now walk the Mesut Deger, local chief of streets of Diyarbakir at the centre-left Republican night without fear of attack People's party (CHP) argues suggests the armed forces that a failure to respond to have gained ground in their battle against the PKK guermoderate demands such as the right of Kurds to some rillas. official use of their own language will only encourage

But signs of an economic revival vaunted by officials are more difficult to detect. more extreme demands in Turkey's grandiose \$32bn South East Anatolia project in five years' time people to generate electricity and irrigation by damming the Tigris and Euphrates rivers



2,000 people and is the most frequently cited example of new investment in Diyarhakir Adalet Sivahli, a 28year-old worker, is grateful to have a job and says the biggest luxury in her life is being "able to live like a normal person".

tile plant, which employs

But as one local business man puts it, PKK propaganda that "this is our land and our resources and the Turks are exploiting everything" will continue to resonate among ordinary people unless economic opportunity

"The Union must get its own house in order," before it could be enlarged to accommodate up to 26 member states, Mr Lipponen told an audience of financiers and institutional investors However, at the Akyil texin London. "We feel that pro-

> ing the reforms will not benefit anyone." Refore it assumed the pres idency in July, he emphasised that Finland would support the German government - the current EU president - in its attempt to work out a financial framework for 2000-2006, as well as reform of the Common Agricultural Policy and struc-

longing the process or delay-

Finland

outlines

strategy

By Tim Burt in Stockholm

Finland will use its

presidency of the European

Union later this year to

emphasise institutional

reform and eastern enlarge-

ment of the EU, Paavo Lip-

ponen, the country's prime

minister, said yesterday.

its EU

tural funds. Mr Lipponen, who faces a general election in Finland next month, said it was important to begin preparations later this year for an inter-governmental conference (IGC) on institutional

Although Finland will not publish its formal priorities for its presidency until June. Mr Lipponen outlined a three-strand agenda for such a summit on EU reform. It should, he said, address composition of the Commission, re-weighting of votes in the council of ministers and the extension of qualified majority voting.

Mr Lipponen described enlargement as the main challenge to the Union in the coming years, noting that none of the candidate countries were yet ready to meet the criteria for EU member-

The Finnish prime minister said the country supported an enhanced common foreign and security policy, with the adoption of common EU strategies in international relations



New EU line on Russia urged

By Raiph Atkins in Bonn

The European Union had to adopt a strategy towards democratic and institutional reform in Russia reflecting the EU's increased economic importance after launch of the euro, Joschka Fischer, Germany's foreign minister, said yesterday.

Speaking after a meeting in Bonn with Igor Ivanov, Russia's foreign minister, Mr Fischer said that the "main point" of a fresh EU strategy towards Moscow would be "the development of aid, towards developing a long-term, lasting structures".

It was of "decisive importance" that the EU co-ordinated and combined efforts by member states to ensure as an example the co-opera-Russia's economic and finan-tion between the EU. Russia

cial stability, he added. Mr Fischer's comments came as Chancellor Gerhard Schröder prepares for the

planned EU-Russia summit in Moscow on February This summit is expected to help shape a revised EU

strategy. Germany holds the European Union presidency for the first six months of this year. Germany's foreign ministry is seeking to switch discussion over Russia away

from talk about financial long-term relationship with the EU across a range of for-

eign and economic policy Mr Fischer vesterday cited

and the US over Kosovo which had led to the United Nations Security Council playing a "constructive role" in a crisis situation.

Mr Fischer said the EU would have an increasing role in helping develop democratic structures in Russia, as well as helping with building infrastructure, and in areas such as the development of legal systems.

Although it was not an immediate theme, he expected an evolving "political relationship" between the RII and Russia. Mr Ivanov described the

egy on Russia as a "strong political signal". He promised that Moscow would help drive forward the

This is easier said than done. Today the fight against pathogens of bacterial infections has become a se

threat again. Because of their enormous adaptability, they have built up resistance to many formerly effective

French Senate blocks reform By Robert Graham in Paris

Important pieces of the French government's legislative programme are being held up by the Senate, the second chamber of parliament controlled by the centre-right. The battle with the conser-

vative Senate has increased the momentum for plans by the Socialist prime minister. Lionel Jospin, to reform the upper chamber and introduce a new system of elec-EU's plans for a joint strattions. At present the Senate is elected exclusively by les grands electeurs - people

already holding public elected office. The biggest snub to Mr

Jospin has been the Senate's complete rewriting of a law enshrining equal opportunity for men and women in the constitution. This had already been approved by both a large majority in the National Assembly and had the backing of President Jac-

future. "If they don't recog-

nise Kurds' identity today,

will ask for independence or

crues Chirac. Rightwing senators, plus some from the left, argued there was no need to rewrite the constitution to ensure equal opportunity since such a right implicitly existed. But behind this argument lay a broader strategy to embarrass the government. Any change in the consti-

tution requires a two-thirds majority of both houses sit-

ting jointly. As a result the Senate has the power to 322-strong Senate is natublock the equal opportunity rally conservative. Members plan. The idea of promoting are elected for an unusually long nine years with elecwomen to a greater role both in the workplace and especially in public life was one years. Since they are elected of Mr Jospin's electoral pledges in 1997. Moves to challenge the

Senate by holding a referendum were vetoed this week by President Chirac, who argued the two houses should hammer out a deal. Other reforms held up by the Senate include a new voting system for the European elections and a curb on the practice of holding more than one elected office - the

tions staggered every three only by those holding public office, the bulk of their votes come from councilors of small towns. Mr Jospin's aim is to create a more vital and repre-

sentative second chamber but to do this he would have to change the constitution or persuade the rightwing President Chirac to hold a refer endum. As co-habitation becomes more confrontational neither outcomes is

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Brazil picks hedge-fund poacher as economic gamekeeper

The nomination as central bank chief of a former fund manager is drawing fire. write Geoff Dyer and Richard Waters

ew poachers have gone today's global capital maron to tend the game at quite such large estates

Only last week Mr Fraga Soros Fund Management. the company that runs the investment funds of George Soros, the billionaire invesfund that took bets on macroeconomic changes, such as currency devaluations, in erging markets.

Mr Soros's company won fame in 1992 when its heavy selling of sterling was held partly responsible for the currency's devaluation. Mr Soros has also been personally blamed for some of the currency crises in Asia over the last two years.

Although Mr Soros is himself a critic of unfettered capital flows, his investment the most striking symbols of with a vengeance. the heavy volatility and fre-

Now Mr Fraga has been nominated the new president of the Brazilian central bank, the third since the start of the year, at a time when the world's ninth largest economy is suffering just such a financial crisis.

be approved by the Senate. After four speculative attacks in the space of 18 months, the government was float on January 15. Having had some form of fixed exchange rate for the last 47 years, the central hank is still learning how to operate a floating rate.

Mr Fraga has been brought in with the aim of neutralising new speculative rency's plunge and preventfunds have become one of ing inflation from returning He had been with Soros



1998 (after the sterling crisis) and managed the \$1.4bn Quantum Emerging Growth Fund, which suffered the brunt of the hedge fund group's \$2bn losses after the collapse of the Russian rou-

However, he is no stranger to Brazilian government circles, having been the central bank's director of internaLloyds Bank in São Paulo. But with the political tem-

perature in Brasilia already at boiling point, Mr Fraga will be stepping into a mine field when he goes before a on February 22, after the carnival break. For many on the Brazilian left, Mr Soros. his former employer, has come to symbolise the es of global capitalism that they despise. "For the last four years his

job has been to maximise the profits of a mega-fund. Is he the right person to judge how to preserve the stability of the currency?" asked Eduardo Suplicy, a senator for the Workers Party (PT). However, the hostility towards short-term profiteer ing is not limited to the political left. Only on Monday, Antonio Carlos Magalhāes, rightwing head of the Senate and a close ally of

Lopes and Gustavo Franco. rique Cardoso, lashed out a "He is someone who "speculators". He described knows the markets, but is also well known both here agents... who are acting in and abroad," said Odair an irresponsible and crimi-Abate, chief economist at nal manner to devalue the Mr Magalhāes was more

diplomatic about Mr Fraga's appointment yesterday. "He knows more than anyone the actions of these criminals and can put an end to it," he said, predicting that the Senate would comfortably approve the appointment.

Mr Fraga will also have quickly to put distance tween his views and those of Mr Soros, who has been witheringly critical of the Brazilian government and the IMF. Holding forth at the World Economic Forum in Dayos on Monday, Mr Soros said the policy of raising interest rates to defend the currency, agreed with the

IMF, had been "disastrous". Mr Fraga, who arrived in Brasilia from New York yesterday morning, was expec ted to join meetings with Stanley Fischer, deputy managing director of the

Chávez takes office with call for unity

Hugo Châvez, the former coup leader, yesterday took dent with a call for national unity and insisting he would push shead with a new economic and political model. He announced the immedi-

ate signing of a decree calling for a referendum on a constituent assembly that is to rewrite the constitution and overhaul a political and economic system dependent on oil and widely seen as corrupt and efficient. He pre empted Congress with the decree, which was considering calling a referendum on its own terms.

Mr Chávez also asked Congress to give him executive powers to implement emerhelp halve the budget deficit of 9 per cent of gross domes-tic product within six months. Such measures are to include an emergency financial transaction tax and a value-added tax.

"It is urgent to solve the budget deficit and therefore we need a profound fiscal

Mr Chávez said it would require a superhuman effort by all Venezuelans to increase the standard of living and develop a new economic model. "I call on all Venezuelans to pay their taxes. Those that don't will

go to prison." The new president also announced the formation of a special military brigade made up of engineers and professionals to promote economic development, combat poverty and assist in healthcare. "Instead of a military parade with tanks there will be a parade of soldiers carrying agricultural instruments heading for the fields."

the economy, he announced

four flagship agricultural

projects to develop fisheries.

In an emotionally charged

eneech, laced with patriotic

and divine symbolism, Mr

Chávez gave a bleak account

of Venezuela's moral, eco-

nomic and social crisis

"Venezuela is wounded at its

heart. It is as if I inherited a

palm cultivation.

Mr Chávez came to power in a landslide victory last December with a mandate to overhaul a political system widely seen as corrupt and clientalist. Yesterday's ceremony, attended by heads of state from Latin America, the Caribbean, Spain and Arab Opec member countries, marks the height of a dramatic turnround since Mr Chávez led a failed coup attempt seven years ago.



 Canada acts to restore faith in mining stocks Governor brings charm offensive to Mexico

 Brazilian policymakers look to Mexican solution http://www.ft.com/americas

chairman of the Senate Bud-**Gephardt to rule out entering race for White House** get Committee, resisted a with the party's focus on large House tax cut because presidential scandal. Business lobbyists and vice-president and favourite.

New speaker ushers in a steadier approach

Under new management, the House of Representatives 106th Congress yesterday. officially swapping the era of Newt Gingrich for the steadier approach of Dennis Hastert, the Illinois Republican who is more father figure than revolutionary.

Signalling that the legislative agenda will be more routine than radical, House Republicans placed at the top of their list such items as a reauthorisation of the Federal Aviation Administration and a renewal of a programme to insure commercial aircraft flying military troops into war zones.

Partly, House Republicans are anxious to dispel the salvation. notion that they can impeach a president but

Richard Geohardt, leader of the Democrats in the House announce today he will not contest the nomination for next year's presidential election, Gerard Baker reports from Washington Mr Geohardt will tell his

House colleagues he has decided instead to concentrate on next year's

mined to show they can legislate at the same time as forging ahead with an ambitious tax-cutting agenda that many in the party see as

their political and legislative

Other policy objectives this year are to improve eduhave trouble conducting the cation and shore up the twin ordinary business of govern- federal entitlements of Social hoping to regain control of the House which the Democrats lost in 1994.

The decision, which had been expected after Mr Gephardt led the Democrats to surprise gains in last year's House elections. means the likely field for the party's nomination race is surprisingly narrow and significantly strengthens the prospects of Al Gore, the

Security and Medicare. The tax cut issue, while it holds enormous political appeal for the party, has never been an easy one for Republicans. Ever since Newt Gingrich labelled it the "crown jewel" of the 1994 Contract With America, cutting taxes has tended to divide Republicans more

ate Republicans, led by Pete

Repeatedly, House Repub-Senate alter or kill them.

licans have crafted complicated, far-reaching proposals including child-tax credits. changes to capital gains taxes and alternative minimum taxes only to see the Last year, House Republicans were furious after Sen-

Domenici, the influential

He also has the academic

pedigree which allows him to rub shoulders with Bra-

zil's high-powered economic

team. Having received a PhD

in economics from Princeton

in the US, he has taught at

the Catholic University in

Rio de Jamlero, whose for-

mer professors include Pedro

Malan, finance minister, and

Mr Fraga's two predecessors

Only Bill Bradley, the former senator, has indicated he

may challenge Mr Gore.

The Republicans are

expected to have a wide

led by current favourite,

George W Bush, Texas

governor, and possibly

Elizabeth Dole, wife of

Robert Dole, their 1996

it would have relied on federal budget surpluses that had yet to appear. This year, in a significant change of heart. Mr Domen-

ici has signalled that he is in field of potential candidate favour of a deep, across-theboard tax cut, rising in stages from about 4 per cent to an eventual 15 per cent. John Kasich, Mr Domenici's counterpart in the House, has long been an enthusiastic proponent of lashing deficits and cutting taxes, and he has emerged as one of the leading Republi-

cans favouring a straight 10 per cent cut in income taxes. cut issue is about more than boosting the party's image after the debilitating impeachment debacle. It is also a way to improve the party's standing with the ultimate legislation - is

mounted big publicity campaigns directed at Republican members of Congress to get moving on the tax cut. "It's inclusive, it's fair, it's

associations have been vig-

orously urging Republicans

to get back on the legislative

and policy track. And they

strongly support the idea of

a 10 per cent cut in income

tax rates. Several have

affordable, it's non-partisan and reasonable and it will promote economic growth." declared Calvin Campbell the chairman of the National Association of Manufactur-For Republicans, the tax ers, in support of the 10 per cent tax cut.

Most Republicans would agree with that assessment How they get Mr Clinton to business community, where another matter



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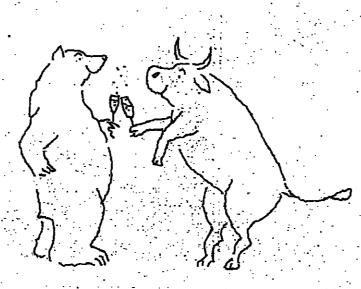
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Algerian press attacks leading candidate

Algeria's presidential election campaign began in president already elected", earnest this week when Abdelaziz Bouteflika, the former foreign minister believed to be backed by the army, officially announced his candidacy.

in his first public appearance since the election was spoke of the need for dialogue and promised Algeria's alienated youth a better future. But Algeria's privately owned press showed him no mercy.

seemed to be acting like "a rigidly reading from a prepared script and taking no questions from journalists. Another daily complained his speech was full of generalities and his solemn style

reminiscent of the 1970s. Controversy over Mr Bouannounced, Mr Bouteflika teflika's candidacy - he is one of dozens running - has dominated preparations for the April elections. That he is seen as the army's preferred candidate has raised

One newspaper empha-ranks about the regime's scene, Mr Bouteflika came the party's national bureau sised yesterday that he willingness to hold a fair poll and fuelled suspicions that the authorities were stage-managing the election. Seven years after the army ing party.

cancelled an election to prevent a victory by the now banned Islamic Salvation Front (FIS), and after more than 65,000 deaths, a fair election as promised by outgoing President Liamine Zeroual is considered by the opposition as needed to begin national reconcilia-

back last month as the offi- has decided to support him, cial nominee for president of a minority wants to put up the National Liberation its own candidate and has Front (FLN), the former rul- loudly complained about

When Al Nahda, a small Islamist party whose leadership is now pro-government, decided to follow the FLN lead and back Mr Bouteflika, form his own party and run against him.

Mr Bouteffika's candidacy has also torn apart the National Democratic Rally (RND), the main pro-governpressure from the top.

Candidates and the press

have been stepping up pressure on the regime for an open election. But analysis say that divisions, especially one of its leaders quit to at the RND, suggest a lack of a strong consensus on the Bouteflika candidacy even within the regime. Mr Zeroual, a former army general, called the elections last September after, it is believed, a

Real against the doller

The perception that a firm consensus has yet to be established in the regime as well as the need to broaden the debate over Algeria's future are leading several

sceptics to join the race. Hocine Ait Ahmed, leader of the Socialist Porces Front (FFS), the authorities' fiercest secular opponent, may well contest the election. Two other leading government critics are taking part: Mouloud Hamrouche, a former prime minister, and Ahmed Talib Ibrahimi, a for clash with army command-

External debit

NEWS DIGEST

POOR NATION DEBT RELIEF

Germany may back plan for sales of IMF gold

Germany's finance ministry indicated yesterday it may back sales by the International Monetary Fund of some of its gold reserves as part of an international debt relief effort for the world's poorest nations. Officials said a possible sale was "not ruled out" but would have to be agreed with the Bundesbank in Frankfurt. Until last September's election, Germany was regarded by ald agencies as a sig-nificant obstacle to progress on debt relief. But last month Gerhard Schröder, the new chancellor, announced plans for an initiative by the G7/G8 group of industrial nations at their Cologne summit in June. The Bonn finance ministry said: "In contrast to the previous government, the new administration is very interested in debt relief for the poorest countries." Ralph Atkins, Bonn

ISRAELI BUDGET

Netanyahu makes concessions

Israel's parliamentary finance committee finally approved the 1999 budget yesterday, but only after the govern-ment's coalition partners extracted concessions from Benjamin Netanyahu, prime minister and finance minister. The Shk215bn (\$52.7bn) state budget was accepted after plans to reform social welfare payments were abandoned and nationalist parties lobbled on behalf of Jewish settlers. Nationalists linked support for the budget to the government legalising the settlers' pirate radio station. The ultra-Orthodox religious parties demanded more financial assistance and 500 new apartments for full-time students at religious schools, And Yisrael B'Aliya, the Russian party, demanded 5,000 new apartments for new immigrants. Some economists said the demands would cost up to Shk1bn. Judy Dempsey, Jerusalem

'THREAT TO GULF SHIPPING'

Iragi missile site bombed

US warplanes yesterday bombed and apparently destroyed a newly established anti-ship missile site in southern Iraq that could have threatened shipping in the oil-rich Gulf, the Pentagon said. Officials said four jets from the aircraft carrier Carl Vinson in the Gulf attacked the Russian-made CSSC-3 missile battery. The missiles, with a range of about 60 miles (100km), had been moved within the past week to the coast south-east of Basra and could have threatened US warships or commercial shipping. Reuters, Washington

Red Cross chief stepping down

fessional reasons", the international aid organisation said. William Hall, Zurich

After a 20-year absence concern among opposition from Algeria's political ment party. While most of Iranians put faith in dollars as clerical

economy falls victim to high inflation

Robin Allen on the collapse in confidence cent of Iran's gross domestic in the rial as the government again resorts to a budget funded by printing money

nomic fantasies of their rulers, Iranians reacted to the 1999-2000 "austerity" budget passed by the mailis (parliament) at the weekend by trooping to unauthorised dealers to cash in devalued

rials for US dollars. According to Tehran economists, the rial, which has fallen 75 per cent, to IR8,350 year ago, and by more than 100 times since the Islamic revolution, 20 years ago this week, is in danger of going through the 10,000 to the dollar mark.

Despite owning nearly 10 per cent of proven global oil reserves and nearly one-fifth of gas reserves, Iran last year defaulted on repayment of interest and principal on its short-term debt to Italy, Germany and Japan.

reported to be continuing.

ith all the savvy of an attempts by successive gov-Vancient people long enuments to cover the deficit in the state industries budget, which comprises 60 per cent of the total, by the simple expedient of printing

Next year's budget is no exception. Revenues and expenditures are "balanced" at IR276,000bn, the equivalent, depending on which "official" exchange rate is used, of \$157.8bn (at IR1,750 from 4,750 to the dollar a to the dollar), or \$92bn (at IR3,000), or \$48.5bn (at IR5,700).

> per cent or IR110.000bn forms the conventional government ministries' budget: and IR166,000bn the state industries' budget. In local currency terms the total budget is almost 20 per cent greater than last year's. State industries, according

chedule \$419m - 85 per cent Guards Corps (IRGC), reliof its debt - for a further gious foundations, and the two years to 2002. Talks with notorious bonyad - state Germany and Japan are foundations which used to Economists attribute the and which were nationalised

secretive foundations. 'The entire

Of the total rial budget, 40 lude to privatisation.

to economists and bankers, which include nationalised Last month it reached companies and such entities agreement with Italy to res- as Iran's Revolutionary belong to the Shah's family collapse of public confidence after the 1979 revolution in the rial largely to are responsible for 85 per address the problem of finan-export licences and fees.

Only a few non-oil manufacturing companies and private or family-owned trading and agricultural companies are free from state control. In recent months, the government has moved to force the bonyad to withdraw from banking and education. and is compiling an inventory of the sprawling assets held by these notoriously

Taken together, these moves are seen as the pre-

banking system is at the service of the clerical state'

Many state industries, such as the bonyad and the IRGC which come under the direct control of Ayatollah Ali Khamenei, Iran's spiritual leader, rather than the most nationalised companies lose money, and so pay no tax anyway.

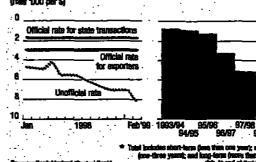
mist Akbar Karbassian. "they are financed by the central bank, whose 'loans' are officially considered to be 'revenue', synonymous with the wealth that is created by productive goods and services in more orthodox countries."

In Iran, "these 'loans'," he explained, "are called resources available to the government' and are not considered debt." As a result of printing

money to finance state industries, inflation is back up to 40 per cent, supplies of cash, demand and long-term to only IR36,000hn, one-third deposits of more than one of the ministries' budget. year (M1 and M2), have soared to IR150,000bn, more than half of Iran's entire gross domestic product and 64 times the levels at the time of the 1979 revolution. "The way the economy is

structured," said one analyst, "the entire banking system is at the service of the clerical state, as it was to the party in the Soviet Union." The only guaranteed

president, have hitherto sources of revenue to cover been exempt from tax. Presi- annual budget expenditure dent Mohammad Khatami is are export sales of oil, gas trying to change this. But and petrochemicals, which historically comprise 75 per cent of state earnings, plus taxation where it can be col-Majlis debates do not lected, import duties, and



Oil revenues are forecast enues. Thirty per cent, half at \$12.1bn, of which \$10.6bn is to be from export sales of crude oil, and \$1.5bn from

gas and petrochemicals. But economists point out that at the average official rate of IR3,000, revenues from oil and gas would come

Even these revenue estimates were disputed by MPs. because they are based on oil exports of 2.8m b/d at an average price per barrel of \$11.80, a figure many deputies considered too optimis tic. Iran's oil sells at \$2 a barrel less than North Sea Brent, which last week traded at \$10.61.

Total oil production is put at 3.55m b/d, with 1m b/d equivalent being set aside for domestic consumption of oil products. Many products such as kerosene have to be imported.

According to Mr Khatami, oil and gas revenues were to make up less than 23 per cent of total government rev-

as much again as last year, was to come from improved tax-gathering procedures, in terminal decline, say many analysts, since reforms made by Shah Abbas in the 17th century; and 46 per cent from unspecified "miscellaneous" sources. Subsidies on some basic

food commodities have been increased by more than 20 per cent, while others, on petrol, kerosene and diesel fuel, are being cut by 66-75 per cent. None of these short-term

budgetary measures, economists said, addresses the fault-line running through the country's economy: the progressive debasement of

the currency. The threat of economic chaos, they added, is precisely what conservative opponents of President Khatami are waiting to exploit by accusing him of economic ineptitude to discredit his reformist ideals in this

month's local elections.

INTERNATIONAL AID ORGANISATION

George Weber, 52, secretary general of the International Federation of Red Cross and Red Crescent Societies, is stepping down after six years in the post. Mr Weber, a Canadian, who will leave later this year after a successor had been appointed, was quitting for "personal and pro-

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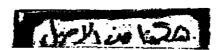
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Construction Wrap-Up coverage

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bott, US deputy secretary of state, urged Islamabad to accept international nuclear safeguards. At the end of the last leg

of a visit by Mr Talbott to India and Pakistan, officials said he appeared to have made progress in convincing both countries to agree an early signing of the Comprehensive Test Ban Treaty (CTBT) by its cut-off date later this year.

"We had very constructive meetings here," Mr Talbott told Islamabad's Institute of Strategic Studies.

Pakistani Foreign Secretary Shamshad Ahmad said after the talks: "I think we have significantly achieved our objectives.

Talks in Delhi at the weekend between Mr Talbott and Jaswant Singh, Indian foreign minister, laid the foundation for India to accede to the treaty, perhaps within a few months, in return for given the go-ahead on March economic sanctions imposed after India's nuclear tests last May first being lifted.

Pakistan also wants all fresh capital into 70 state sanctions imposed for the nuclear tests it ordered in response to those by India lifted before it signs. However, the US has already waived some restrictions on Pakistan citing the acute financial crisis.

The US is also convinced that a a pledge by Nawaz Sharif, the Pakistani prime minister, at the UN General Assembly last year to adhere to the CTBT before its cutoff date, was a clear indication that the country would eventually join the treaty signatories.

"Pakistan is now only trying to buy more time to win more concessions, but its a question of inching towards an eventual convergence of views," said Niaz Naik, a former foreign secretary. "The Americans have allowed economic relief to pave the way for ratification.

Beijing to wind up five more trust businesses a separate Beijing initiative may be closed as trust and foreign bankers but is sures are likely to have a and investment business and achieved profits of to establish asset manage investment businesses and unsettling the domestic very limited impact on for owned by the People's Insur-Ranbackan last year, he said

China yesterday pressed on with restructuring its trust and investment industry, announcing the closure of to the country's largest financial institutions.

The government's decision to wind up the companies, which are subsidiaries of China's big-four state banks companies named yesterday pany, appeared to be tied to suggested the companies tor has not only rattled

The People's Bank of China, the central bank, last week confirmed plans to set up asset management companies to handle some of the mountain of bad debts that threaten the banking sector. Officials associated with

two of the Chinese trust - Dongfang and Xinda - lines how reform of the sec-

relaunched to serve as asset management companies for their two parent banks. Bank of China and China Construction Bank.

The announcement yesterday, which included measures to reorganise a further six trust and investment companies and transfer ownership at seven more, under-

financial services industry. The sudden closure last October of Guangdong Inter-

national Trust and Investment Corporation, with \$4.37bn worth of debts mostly to foreign creditors, heraided an overhaul in the trust and investment sector that has shaken international lenders' confidence in Chinese corporate risk. However, yesterday's mea-

eign lenders, which have ance Company of China. extended little or no credit Analysts yesterday s to the five companies earmarked for restructuring.

Securities News said three other trust companies would be wound up - Changcheng. owned by Agricultural Bank of China, Huarong owned by Industrial and Commercial

Analysts yesterday said trust and investment busi-

nesses generally had sub-As well as Xinda and stantial borrowings invested Dongfang, the official China in assets of dublous value. But an official at Xinda's central office, surprised by yesterday's report, said the company had performed well last year. Xinda had total assets of Rmb20bn (\$2.4bn),

ressure on At Bank of China, a senior official suggested restructur-ing was still under consideration: Speaking of Dongfang, he said: The company may be separated from Bank of China and made independent. It may be closed down This is still under discusensure that Bank of China focuses on the commercial registered capital of Rmblbn banking business."

70 talks

NEWS DIGEST

EXPORTS TO ASIA PICK UP

Australia sees its trade deficit halved

Australia's trade deficit almost halved in December, according to figures published yesterday. The goods and services trade deficit fell to A\$508m (US\$320m), its lowest since late 1997 and nearly half the A\$1bn levels of each of the preceding three months.

Economists said the figures suggested the worst of the slump was over for exports to traditional Asian markets

Unadjusted data showed total exports rose 8 per cent over the month. Of that, exports to Australia's 10 main south-east Asian and north Asian trading partners rose 9 per cent, exceeding a 7 per cent increase in exports to all other countries. Exports to Japan rose a monthly 11 per cent and those to China 17 per cent.

imports fell 4.5 per cent, led by an 8.8 per cent decline in capital equipment imports, the third consecutive monthly fall. Some analysts said the continuing slide in business investment raised concerns about weakening domestic demand, although others said the fall in capital goods imports gave a weaker picture than indicated in other data. Gwen Robinson, Sydney

SINGAPORE

Fine imposed over speech

A Singapore opposition leader was found guilty yesterday of making a speech in public without a police permit in a case he hoped would bring an end to the government's tight controls on public speaking.

Chee Soon Juan, head of the Singapore Democratic party, was fined S\$1,400 (US\$827) and ordered to serve seven days in jail if he did not pay. He chose to go to jail. I have said that I will not pay the fine if convicted because I feel that I have done absolutely nothing wrong," Mr Chee said in a statement after the verdict. He had faced a fine of up to S\$5,000. A penalty of more than S\$2,000 would have barred him from running for election

A chief part of the defence was trying to prove that the Public Entertainments Act, under which Mr Chee was charged, is used to restrict political opposition. Mr Chee says the permit system makes it difficult for the political opposition to be heard. The government insists such restrictions are necessary to maintain order, permits are sometimes given to the political opposition and that there Sheila McNulty: Kuala Lumpur

VIETNAM

Communists act against graft

Vietnam's ruling Communist party says it is to launch a campaign to eliminate corruption within its own ranks, a move which analysts in Hanoi say could intensify factional rivalry within the party leadership.

Dao Duy Quat, deputy head of the party's ideological commission, told foreign journalists in Hanol that the campaign would "run from the highest to the very lowest level", and that party members found to have committed crimes would be prosecuted.

Mr Quat was speaking after a 10-day plenary session of the party's central committee, devoted to the issue of the development of the party. He insisted that there had been no discussion at the meeting of a possible reshuffle of the top leadership. However, foreign diplomats are waiting to see whether the plenum will be followed, as predicted, by changes to the government of Prime Minister Phan Van.

The new emphasis on criticism and self-criticism is likely to further complicate and slow the Vietnamese government's already tortuous decision-making process. Apart from corruption and graft, Dao Duy Quat said the party would also root out "ideological errors and decadent life-styles" which he said had damaged the prestige of the party with ordinary people. Jonathan Birchall, Hanol

Burma

Opposition politician freed

Burma's military government yesterday said it had freed an 81-year-old political opponent it sentenced to seven year's jail last year.

National League For Democracy member Ohn Myint was freed and pardoned late last month "out of consideration for his age and respect for his family," the government

He was found guilty of working with an underground organisation and attempting to create misunderstanding between the government and ethnic groups, Amnesty International, the human rights group, last year described Ohn Myint as a prisoner of conscience and called for this

The government has waged a long battle against supporters of Nobel Peace Prize laureate Aung Sang Suu Kyl's National League for Democracy. Reuters, Rangoon

FOREIGN INTEREST DELAY CAUSED BY DEMAND FOR 'STOP-LOSS' GUARANTEES.

Thai bank sell-offs get under way

By Ted Bardacke in Bangkok

The process of selling off two recently nationalised banks in Thailand has begun but is likely to move slowly due to organise the sale. investor demands for "stoploss" guarantees from the Thai government, officials

said yesterday. Two mid-size banks, Bangkok Metropolitan and Siam

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That process was delayed balked at signing a contract many years this market stake, commonly known as with Morgan Stanley Dean . hasn't been open to foreign

That matter had now been resolved and the banks were likely to be sold by the mid-

Citibank, which earlier bank. City, were nationalised last tried to buy First Bangkok Mr Ho said that the level ing the modality of how to

"Clearly this is a fantastic against problem loans which when central bank officials opportunity because over arise after the purchase of a Witter, which was chosen to banks," Henry Ho, Citibank representative in Thailand, net has already approved the

told Dow Jones Newswires. Bangkok Metropolitan guarantees, which are likely dle of this year, the officials week that HSBC was also sial especially if they are eyeing a takeover of the

over Bangkok Metropolitan. give some form of guarantee said.

executives said earlier this to be politically controvergiven to foreigners.

"When we get to discussyear and the Thai government originally planned to
nationalised, yesterday said
sell them back to the private
it was interested in taking
Thailand's willingness to
delayed," a monetary official

"stop-loss" guarantees.

Thailand's economic cabi-

Jakarta to press on with bank rescues

Indonesia's government yesterday announced it would approve recapitalisation of dozens of banks this month and next, blting the bullet on a much delayed bail-out in spite of growing concern that this may yet be blocked in parliament.

Officials said the central bank and finance ministry would nominate 15 banks to receive capital in the form of government bonds, matching private injections at a ratio of four rupiah to one, on February 15. Two more groups of banks would be

7 and 31. injection Rp257,000bn (\$28.7bn) in and private banks would offer a lifeline to the finanground to a halt for lack of liquidity. The World Bank warned earlier this month it would only help fill a \$9bn budget deficit with new

recapitalise two private banks and 10 regional state banks has riled MPs, who had already been reluctant to approve a budget allocation of Rp18,000bn for interest payments on the bonds this year. They were particularly suspicious of the inclusion of Bank Lippo, part of the Lippo Group which has been close to President B.J. Habibie, and so far officials

The deadlock in parliament helps explain why officials have vet to reveal the bonds, leaving it unclear whether banks could sell the bonds at a rate competitive with central bank paper, now just under 36 per cent. But officials said the budget cial sector, which has only just over 20 per cent, leaving banks with only interest income but no real capital injection.

inclusion.

loans if reforms such as like raising another Rp16,000bn restructuring moved ahead. from asset sales, in addition

get, but most banking experts think that is optimistic. "It just doesn't hang

A bond issue of at least Rp100,000bn would finance this new recapitalisation effort. Another Rp140,000bn in bonds would be issued to the central bank, in effect transfering the burden of a similar sum lent to ailing banks last year, at a real interest rate of 3 per cent. Until private banks know

have failed to explain its what the interest rate on the bonds will be, few recipient banks will be able to raise outside capital to take part interest carried on the in the programme, banking experts warn. Bank Bali and several other banks have postponed rights issues until later this month. Nearly 90 per cent of the

recapitalisation funds will allocation would allow for help the state banks. Bankers and officials said the government had allowed state banks to go easy on bad borrowers, however, including Officials said that plan associates of former Presiwas contingent on success in dent Suharto and small enterorises.



Indonesian

Foreign Minister Ali Alatas said tured right in a Jakarta jail yesterday the jailed East with Moslem leader Abdur-Timorese guerrilla chief, rahman Wahid), who is Xanana Gusmão, could be serving a 20-year term for freed this year as part of a armed rebellion, is to be deal to offer East Timor moved to house arrest

But last week's leak of a to the Rp18,000 in the bud- Comment & Analysis, Page 15 limited autonomy, Reuters shortly.

Philippine business confidence revives

The Philippines has seen a resurgence of business confidence in spite of further evidence of recession, according gross domestic product. to an influential survey.

Although the Philippines has been relatively insulated from the worst of the Asian economic crisis, data

joined most of its neighbours

released late last week Club, a leading business 1998 when more than 96 per showed the country had association. in recession in 1998 with a more than 100 companies

Local businesses, however, believe the Philippine econ-

The six-monthly survey of

0.5 per cent contraction in showed a "marked shift and resurgence of optimism" with 80 per cent of respondents expecting the economy omy is now on a recovery to perform better in 1999 path, according to the sur- than last year. This was in vey by the Makati Business sharp contrast to surveys in

growth rates would be lower than in 1997. Guillermo Luz, executive

appeared the economy had bottomed out in 1998 and was now set for a mild recovery in 1999. The MBC forecasts gross economists of 1 to 3 per cent.

income from Philippine workers overseas, will expand by 2.2 per cent in 1999 after almost flat 0.1 per director of the MBC, said it cent growth in 1998. This compares with a government target for GNP growth of 3.0 to 3.5 per cent and a range of forecasts by private-sector

national product, including

Delhi-cancels subsidy cuts India's PDS is estimated to

India's governing Bharativa Janata party yesterday est people.

from several regional parties in the coalition to withdraw entrenched subsidies was

The climbdown follows pressure", admitting at a earlier condemnations from some of the same allies in that the government seemed the 13-party coalition over certain to overshoot this the BJP's handling of a year's fiscal deficit target of spate of recent attacks - 5.6 per cent of GDP. which they alleged were carried out by groups affiliated to the BJP - against ber, according to official

Vijay Kelkar, India's senior finance ministry bureaucrat, has said last week's move to attack these forced by "tremendous fiscal weekend press conference

cost around 0.5 per cent of

gross domestic product. By

Christian missions and data, rising 6.73 per cent in churches. dollar terms for the month it caps a dismal few days from a year earlier to dollar terms for the month for the government, which \$2.78bn Imports fell 3.37 per suffered the resignation at cent year-on-year for Decem-

The modest increase fol-

tem (PDS) for those defined. The trade gap has as falling below the official remained capped by lower world oil prices.

official measures, roughly 36 bowed to angry protests per cent of India's 980m from among its restive coalipeople live below the povtion partners and withdrew erty line. Price increases of a series of food subsidy cuts 44-64 per cent for wheat, affecting the country's poorsugar and rice rationed under the same scheme The embarrassing rollbut to those "above the poverty line" will remain in

back, just four days after the subsidy cuts in basic staples were announced as a means of trimming India's high fiscal deficit, follows threats

the weekend of Madan Lal ber to \$3.57bn. Khurana, BJP parliamentary of the attacks on Christians.

Under concerted pressure and sugar distributed under the public distribution system (PDS) for those defined The train

affairs minister, also in criti- lowed a 3.81 per cent rise in cism of his party's handling exports for the preceding month, though overall export growth for the first 10 from its main allies, the gov- months of India's fiscal year ernment agreed to withdraw remains 2.88 per cent lower proposed price rises of up to than the period a year ago. 30 per cent for wheat, rice This has left a cumulative trade deficit for the period of a national rationing scheme. \$7.29bn, up 63 per cent on a

Hungary 2011 plans wed annov Brussels

AUCTION NOTICE UK GOVERNMENT EURO TREASURY BILLS

For auction on 9 February 1999 The Bank of England announces the issue by Her Majesty's Treasury of €1,000 million nominal of UK Government Euro Treasury Balls, for auction on a bid-yield besig on Tueaday, 8 February 1999. An additional €50 million nominal of Euro Bills will be allotted directly to the

Bank of England for the account of the Exchange Equalisation Account.

2. The Bills to be issued by auction will be dated 11 February 1999

and will be in the following maturities: €200 million of Euro Bills for maturity on 11 March 1999, €500 million of Euro Bills for maturity on 13 May 1999 and €300 million of Euro Bills for maturity on 12 August 1999. 3. The auctions will be open to anyone who wishes to apply. All applications must be made on the printed application forms available on request from the Bank of England or, in the case of the market makers

telephone. Completed application forms must be lodged, by hand, at the Bank of England, Customer Settlement Services, Threadneedle Street,

London not lator than 10.30 a.m., London time, on Tuesday, 9 February 1999. Payment for Bills allotted will be due on Thursday, 11 February Each application at each yield for each maturity must be made on a separate application form for a minimum of €500,000 nominal.
 Applications above this minimum must be in multiples of €100,000

Applications must be made on a yield basis (calculated on the basis of the actual number of days to maturity and a year of 360 days) rounded to two decimal places. Each application form must state the maturity

date of the Bills for which application is made, the yield bid and the amount applied for. 6. Notification will be despatched on the day of the auction to applicants whose applications have been accepted in whole or in part. For applicants who have requested credit of Bills in global form to their account with Euroclear or Cedelbank, Bills will be credited in the relevant ms against payment. For applicants who have reques Bills. Bills will be available for collection at Customer Settleme Services, Bank of England after 1,30 p.m. on Thursday, 11 February 1999 provided cleared funds have been credited to the Bank of nd's Euro Treasury Billis Account No. 59005516 with Lloyds Bank Pic. Bank Relations, St George's House, PO Box 787, 6-8 Eastcheap, London EC3M 1LL. Definitive Euro Bills will be available in amounts of €10,000. €100,000, €1,000,000 and €10,000,000 nominal.

7. Her Malesty's Treesury reserves the right to reject any or part of any The arrangements for the auction are set out in more detail in the information Memorandum on the UK Government Euro Treasury Bill programme issued by the Bank of England on behalf of Her Majesty's Treasury on 7 July 1998, and in supplements to the Information am. All applications will be subject to the provisions of the

England for the account of the Exchange Equalisation Account will be for meturity on 12 August 1999. These Bills may be made available through sale and repurchase transactions to market makers in order to facilitate 10. Copies of the Euro Bill Information Memorandum may be obtained from the Manager, External Debt, Foreign Exchange Division at the Bank of England (telephone number 0171 601 5982). UK Government Euro Treasury Bills are issued under the Treasury Bills Act 1977, the National Loans Act 1968 and the Treasury Bills Regulations 1968 as amended.

The €50 million of Euro Bills to be aligned directly to the Bank of

Corporate radar.

FINANCIAL TIMES

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NEWS DRIEST

MYS-TO ASIA PICK UP

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FOR STOP LOSS GLAPIN

China under pressure on WTO talks

By James Kynge in Beljing

A possibility that Taiwan could join the World Trade Organisation before China is pushing Beljing to consider greater market liberalisation as an important US-China meeting approaches.

Chinese officials said Zbu Rongji, the premier, was expected to seek Washington's reaffirmation of an informal agreement that Taiwan would not be admitted into the WTO before China. Mr Zhu's visit is scheduled for late March and early April

But, the officials added, Beijing realises that the US may find such an assurance hard to provide unless China unveils concrete steps to liberalise trade and investment, thereby advancing its own WTO entry bid.

China does not oppose Taiwan's entry into the WTO, which does not require statehood. But it does insist on being admitted before the island, which solit from the mainland after the Chinese civil war in 1949 and is regarded by all the main powers as part of

Recently Taiwan has made considerable progress toward fulfilling requirements for WTO admission. with the EU verifying an agreement on the terms of its accession last month leaving Canada and Hong an official newspaper yester-Kong yet to sign bilateral accords. China, by contrast, has stalled in its WTO bid or even regressed.

Foreign diplomats in Beijing deny that a "Taiwan card" is being played to encourage China into liberalisation concessions.

an objective need to prevent (both of which are statearguments for Taiwan's owned) have been urged to prior entry from

strengthened the position of investment projects in the those who push for faster telecoms services sector.

isation within the Chinese

Recent market access initiatives have been motivated partly by the needs of China's slowing economy for foreign investment, and partly by a desire to communicate to the world that China's WTO bid is not moribund, officials said.

Officials announced last week that foreign trading companies would be allowed to set up offices in several new cities beyond Shanghai and Shenzhen, to which they are currently limited.

They will also be permitted to purchase stakes in Chinese trading companies, many of which have fallen on hard times because of the Asian crisis and fierce domestic competition.

Beijing also plans to remove import licence controls or quotas on about 300 commodities by 2005. It recently announced plans to reduce tariffs on 1,014 items in order to combat the wave of smuggled goods into the country.

But perhaps most interesting has been the revival this week of an open debate on liberalising the booming telecoms sector, a key stumbling block to China's WTO accession. Ma Yu, a researcher in the trade ministry's think-tank, argued in day that monopolistic conditions would hinder the development of the local telecoms industry. He urged more competition and liberalisa-

His suggestions contrast with the trend of the last few months, during which Chi-But Chinese officials see nese telecoms companies buy local equipment wherever possible, and Beijing This realisation has has banned new foreign

Africa trade bill plans proposed annoy in US

Congressman Jesse Jackson Jr, an Illinois Democrat, yesterday introduced an Africa trade bill with strong labour and environmental provisions which immediately drew support from groups generally opposed to free

The bill, which would reduce sub-Saharan Africa's \$230bn debt burden, was presented as "a model" of the type of trade legislation which Mr Jackson and other liberal Democrats would support. The bill would raise foreign aid to the region to more than \$800m, provide duty-free access for African products and require that ome of the savings from debt relief be used to fund

social programmes. In 1997, the Clinton administration introduced a less bountiful Africa trade bill with strong bipartisan backing but it has yet to win congressional approval. A similar bill is expected to be introduced today in the

 Many liberal groups opposed the administration's initiative on the grounds that it offers too little and that it too closely resembles the North America Free Trade Agreement. It has been dubbed "Nafta for Africa" and several textile and clothing groups have objected to the access it would have granted to the US market for African clothing exports.

'Congressman Jackson's bill does not put Africa over the barrel in a way which compromises its Integrity and independence," said Randall Robinson, president of TransAfrica, an African advocacy group. addresses Africa's most important development need: debt relief. Debt servicing is sapping Africa's capac-

ity to develop itself." The administration's bill does not guarantee debt forgiveness, even if countries meet "the onerous conditions" of the International

.

Monetary Fund, he said. The administration's bill calls for a free trade area between the US and sub-Sa-DATAD COMPUTES.

Hungary **Brussels**

Viktor Orban, the Hungarian prime minister, has reaffirmed plans to sign a free trade agreement with Crostia, a move which could contravene European Union law and provoke a dispute over its entry to the EU.

The plans have annoyed EU officials because Croatia has no free trade agreement with the EU and is not a member of the World Trade Organisation.

Any free trade agreement would have to end when Hungary joins the EU, as it official familiar with Hungary's negotiations said any free trade agreement would raise two problems. He said: "There would be a disregard from the Hungarian side of the political relationship currently existing between Croatia and the European Union. The second [problem] would be commercial. If such an agreement were con cluded prior to accession, it might later raise the call for potential compensation

ciaims." Hungarian officials areus the treaty is irrelevant to EU membership because it will expire when Hungary joins. One Hungarian official said: "Croatia is a neighbouring state. We know whether it is valid for us to make an arrangement, even for a limited amount of time. [Such an arrangement] can be a very useful tool of good

neighbourly co-operation." Any disagreement with the EU would ternish Hongary's reputation as one of the applicants keenest to meet membership requirements. Mr Orban stressed Croatia's economic importance to Hungary during his visit. In 1997, Hungary exported \$223m to Croatia. against imports of only \$36.9m. Mr Orban underlined Hungary's desire to belp to regenerate the Adriatic port of Rijeka, a potential route for shipping Hungarian

Last week Hungary announced that Hungary intended to seek five-year transitional arrangements temporary exemptions from BU law - on some areas of trade with non-EU countries.





Ecuador raps US and EU for 'exploiting' banana dispute

Ecuador, the world's largest banana exporter, yesterday US, Guatemala, Honduras, reproached the US and European Union for trampling on the view of its co-complainits interests while exploiting ants that the EU has not the transatlantic banana dis- done enough to bring itspute for their own purposes. banana import regime into Speaking on the day that line with a 1997 WTO ruling. Ecuador gave evidence to a World Trade Organisation amended system, introduced panel reviewing the EU's on January 1, "continues a

revised banana import pattern of flagrant non-comscheme, Roberto Betancourt, pliance by the EU". the country's WTO ambassador, expressed dismay that the two trade superpowers seemed to be using the dispute "to pursue trade policy gendas which have little to do with bananas".

the original WTO case new scheme. The panel, set nected US banana multinaagainst the EU alongside the Mexico and Panama, shares Mr Betancourt said the

However, Ecuador has viewed Washington's tactics in the dispute with mounting concern, especially its attempt to impose trade sanctions on the EU without waiting for the WTO panel

Ecuador, which brought to rule on the legality of the the politically well-conup at Ecuador's request, has also been asked to make spe- of the banana business elsecific recommendations for change.

Ecuador is particularly worried that the US and EU may try to reach an accommodation at its expense. The small central American country is currently the big-trade penalties against EU gest banana exporter to the EU and production and exports are predominantly in Ecuadorean hands.

Alfredo Pinoargote, Ecuador's ambassador to the EU, complained last week that Washington was advocating changes to the EU banana

tional, which has a big slice where in central America.

The WTO panel is due to rule on the EU's new import arrangements by April 12. The same panel was also last week asked to arbitrate on the US request for \$520m in

Although the EU scheme continues to favour more expensive bananas from former British and French colounfair to distributors of

EU to develop secure electronic business network

The European Commission contract to develop a secure, pan-European e-business net-

has taken a step forward in secure electronic transmisthe promotion of electronic sion of information which business with the award of a would otherwise have across Europe. been handled in paper

The contract has been won The project, expected to be by the London-based tech- proposals in complete secuoperating by next month nology arm of the consulwith a control centre in tants, PwC. The price has

Brussels, will be to demon- not been disclosed. Alastair strate in a "live" environ- MacWillson, PwC partner for ment the advantages of technology risk services, said the contract set a precedent for e-business services

> It will make it possible for companies from all 15 member states to submit research rity over the internet to the Commission's science and

technology directorate. Businesses using the system are expected to benefit from improved efficiency, speed and costs savings. The Commission has already made it clear it wants to see 25 per cent of its purchasing

to take place electronically by 2003. At present this ambition is being thwarted by the diffi-

culty of carrying out transactions in a secure environsystems differences across the member states have

Under the terms of the contract, the Commission will take on the role of "trusted party", guaranteeing the security and integ-

made transactions difficult.

PwC in the role of certification service provider. ensure it is unintelligible if intercepted and make use of

electronic signatures to document and the authenticity of its origin. With the system, PwC says, transactions cannot be repudiated

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NORTHERN IRELAND SINN FEIN CHIEF APPEALS TO CLINTON ADVISER TO RESCUE 'PEACE LINE' PLANT

Adams urges US to save factory

Gerry Adams, president of Sinn Féin, the political wing of the Irish Republican Army, yesterday appealed to Jim Lyons, President Bill Clinton's economic adviser on Northern Ireland, to rescue Mackie International, a textile machinery manufacturer which called in receiv-

Mackie straddles the "peace line" separating Belst's Protestant and Roman. Catholic neighbourhoods, and in recent times has been held up by governments as a symbol of what is possible in the most economically blighted part of Northern Ireland, Mr Adams is MP for the district that includes the factory, where 850 people

that President Clinton stood on the factory floor and declared that Mackie was weaving disparate threads into remarkable fabrics".

Mr Adams appealed for funds from the International Fund for Ireland, an aid programme backed by several governments to which the US and European Union are the biggest contributors. Mackie has received more than £30m (\$49m) in public money since 1992.

Receivers were called after the failure to secure sufficient finance to buy out the Shield Group, a privately owned engineering company based in England, which would have provided Mackie's new foundry with a large order book and solved

The company has been in could realise as much as £8m decline for several years with falling demand for its main product - looms for the linen industry - and its move into environmental engineering yet to deliver. Adam Ingram, the North-

ern Ireland economy minister in the UK government, conceded the directors "had no option" after weekend talks with banks failed to find the £15m to buy out Shield's assets and provide the necessary working capital. Roger Powdrill and Tom Keenan, of Deloitte Touche, the accountancy firm, have now been instructed to trade the various companies with a view to selling the business and securing as

many jobs as possible"

The factory and its

towards repaying the main creditors, Ulster Bank - Nat West's local subsidiary; Capital Bank, which lent money secured on the equipment; and the Industrial Development Board, the government's investment promotion agency which is owed

• The International Fund for Ireland is to appeal to the US Congress for further support amid fears it will be dissolved as powers shift to bodies set up under the Northern Ireland peace

David Trimble, first minister in the new Northern Ireland administration, has urged the European Union to continue funding the IFI. There have been indications

funding will cease this year.

The IKI is an innovative aid body that has pioneered the use of funds to promote reconciliation between Northern Ireland's divided communities. It is the only body through which US aid can be channeled to Ireland. William McCarter, its chairman, said he would urge Congress to continue backing for another four or five years "until the job is done". Congress is to consider the Clinton administration's for-

includes a \$20m proposal to back the IFI, in April. The fund receives about \$20m annually from the US. The EU has provided a threeyear package worth €17m (\$19.4m) and Canada, Australia and New Zealand have

eign aid budget, which

Coopers partners fined over Maxwell

Former

By Jim Kelly in London

Coopers & Lybrand were yesterday ordered to pay £3.5m (\$5.7m) in fines and costs for the firm's fallings as auditor of the business empire of the late publishing tycoon Robert Maxwell.

It is the toughest penalty meted out by the Joint Disci-plinary Scheme, the accountancy profession's senior

The firm, which merged with Price Waterhouse to form PwC last year, was criticised for failing to blow the whistle before the collapse of the Maxwell empire - with £400m in missing pension fund assets - after the death of the tycoon in 1991.

The watchdog criticised Coopers, then one of the Big Six audit firms, for lack of vigilance as auditor at many of Maxwell's companies and pension funds - and also for poor planning in its duties as statutory auditor.

The watchdog came to two conclusions that reduced the penalty, it could have imposed. It found the col apse of the Maxwell empire was neither caused nor facilitated" by the firm and that the firm had caused "no direct financial loss". But for these findings the penalty would have been very substantially greater

However, the JDS did find the real problem was that Coopers' never formed an objective picture of the 400 Maxwell companies - most which it audited.

By 1991, said the JDS. "there had been various straws in the wind that all was not well in the Maxwell empire", but no single person had the "full overview" The tribunal said it did not accept that this was entirely the result of respecting client confidentiality.

The report identifies Coopers as "victims of deliberate deceit". It adds: "On any view massive frauds were perpetrated, involv ing...conspiracy, false accounting and the deception of auditors and advis-

The pension funds were rich when Mr Maxwell's companies became short of cash. "Mr Maxwell made use of pension fund and investment trust assets both as unsecured loans to his companies and as collateral for loans to his companies by others," said the report.

It concluded that Coopers auditors and staff: • failed to ensure that a £30m unsecured loan of pen-

sion fund assets to Pergamon Holdings was disclosed in the accounts. • Failed to identify that stocks of Maxwell's First Tokyo Index Trust were being lent without collateral.

• Failed to qualify the accounts of First Tokyo the board of Robert Maxwell Group that a substantial amount of work was needed to be satisfied the company

 Failed to consider - by August 1991 - whether there was evidence of fraud. defaults, or unlawful acts in relation to Maxwell companies that needed a "whistle-

NEWS DIGEST

SOCCER

England coach sacked over disability comments Glenn Hoddle was sacked last night as coach of the

England soccer team, over comments about disabled

people. The Football Association said: "It became apparent to all concerned that this was the right decision for English football. That decision is that with regret the FA and Glenn Hoddle agreed to terminate Glenn's contract." Mr Hoddle is reported to have said in an interview with The Times newspaper: "You and I have been physically given two hands and two legs and a half-decent brains. Some people have not been born like that for a reason. The karma is working from another lifetime. I have nothing to hide about that, it is not only people with disabilities. What you sow you have to reap.

The FA added: "He accepts that he made a serious error of judgment and of course he has apologised. He is upset but that is nothing to the upset felt by disabled people about his comments."

Nationwide building society, which recently took over as sponsor of the England team, said: "We are pleased the FA have acted decisively . . . and the job for us is now to concentrate on the first major event of our sponsorship.

which is the forthcoming match against France."
Forty-year-old Mr Hoddle has been dogged by controversy ever since being appointed England coach in 1996. He has been criticised both for his lack of success on the football pitch and his eccentric statements off it, partly inspired by his friendship with Elleen Drewery, a faith healer and former public house landledy.

STEEL INDUSTRY

Threat to jobs recedes

A threat to hundreds of jobs in the British steel industry appeared to be receding last night after the European par ament's environment committee dropped proposals that would have outlawed leaded steel in cars. The committee amended a proposed European Union directive setting out rules for recycling old vehicles to allow car manufacturers to continue to use up to 0.35 per cent by weight of lead in steel parts. Industry observers were awaiting detailed guidance last night about the impact of 137 amendments to the directive, which must now be debated by the full European parfiament. However, Denis MacShane, Labour chairman of the cross-party steel group of MPs, said: "This on the face of it satisfies our demands and shows that the British steel industry has mounted a successful defence of its position that to ban lead completely would be counter productive." Kevin Brown, London

E-COMMERCE

Threat to prospects, MPs told

The UK's prospects in electronic commerce could be projudiced by heavy-handed and insular legislation, MPs were warned yesterday. Giving evidence to a House of Commons committee, representatives from the telecommunications, electronics and internet services industries voiced concern about measures to licence companies providing security and electronic signature recognition. The worry was that the UK would adopt narrow, national and restrictive legislation only to find it had been outflanked by fastchanging technology. E-commerce, or trading over on-line networks such as the internet, is growing rapidly. There are concerns, however, over security of internet message are asking for measures that would enable them to demand the key to an encrypted message if wrongdoing was suspected. Alan Cane, London

LLOYD'S CAPITAL PROVIDERS

Overheads set to fall

Lloyd's of London intends to reduce the level of overheads paid by capital providers to the insurance market over the next four years from its present level of 2.45 per cent to 0.25 per cent of market capacity, the amount of underwriting they are allowed support. Lloyd's also said it would have paid off by the year 2001 the last of the £300m (\$492m) syndicated loan raised as part of the market's 1996 reconstruction programme, ending the 1.1 per cent premium levy. Andrew Bolger, London

COMMERCIAL RADIO

Share of advertising increases

Commercial radio stations gained more than 5 per cent of the display advertising market for the first time last year. as advertisers moved away from television, according to new figures. Figures from the Radio Advertising Bureau, to be published at a City conference, show radio advertising is continuing to expand at nearly 20 per cent per year despite fears that it will be affected by an economic downturn. The bureau now estimates that radio gained 5.4 per cent of display - non-classified - advertising last year, compared with 4.9 per cent in 1997. The 5 per cent mark was seen as an important target. John Gapper, London

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The union suggested global financial policy would

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sels-based executive, to vastly reducing British influ-Ken Jackson, the AREU's general secretary, also called on the Bank of England, the UK central bank, to cut interest rates further, saying they should be between 1

Daggers drawn and dragons awakened in the reform debate

The constitutional change programme is the most radical for 350 years but opinions differ on its outcome. **Deborah Hargreaves** reports

trengthening the UK or holding a digger at its heart? Tony Blair, Britain's prime minister, says the driving force behind his ambitious programme of constitutional change is his desire to modernise the institutions of the nation, making them fit for the 21st cen-

William Hague, leader of the opposition Conservative party, says Mr Blair will ruin the union of Scotland, England. Wales and Northern Ireland, making British citizens "strangers in their

The government's constitutional reform programme is the most radical since the temporary abolition of the monarchy after the execution of King Charles I almost exactly 350 years ago. Elections will be held on

May 6 to choose members for its work in April. All three

House of Lords, the upper chamber of parliament, by Mr Hague has likened it to removing the right of hereditary peers - aristocrats who improvements devotee who inherit their titles - to sit and vote in the house.

He has appointed a working party to come up with an-

wholly unelected body. In England, regional development agencies will be set up from April 1. Elections will take place next year for a London mayor and assembly. Mr Blair is pressing for other big cities to elect may-

The changes will also rede-

nationalism has stirred in the north-east, a region pushing for

English

the Scottish parliament and fine the relationship of the Welsh assembly. Northern individual to the state, with Ireland's assembly will begin a freedom of information bill and the incorporation of the from the House of Commons Human Rights into UK law. Critics say Mr Blair's

an assembly

Mr Blair is reforming the approach is piecemeal and lacks an overall blueprint. the antics of a home tears down the walls of an old, rambling house without

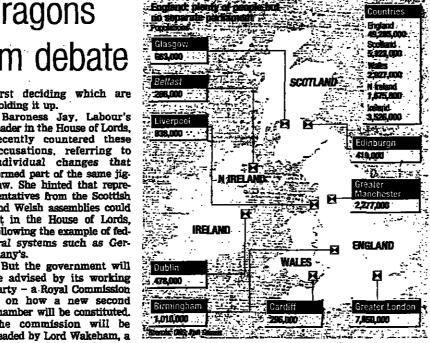
first deciding which are holding it up.

> leader in the House of Lords, recently countered these accusations, referring to individual changes that formed part of the same jigsaw. She hinted that representatives from the Scottish and Welsh assemblies could sit in the House of Lords, following the example of federal systems such as Ger-

But the government will be advised by its working party - a Royal Commission on how a new second chamber will be constituted. The commission will be headed by Lord Wakeham, a orominent Conservative. Robert Hazell, who heads

the Constitution Unit, a specialist think-tank, says the speed with which the government has introduced the changes is phenomenal. It passed 11 constitutional bills in its first session of parliament. "But now some obvious gaps have appeared. The biggest immediate one is what to do about 'stage two' ment in England and "the whole English question", as

another unresolved issue. Mr Hague believes the nationalism may be awakened once the other nations are seen making their own decisions. Few people in regional government across



about Scotland and Wales getting their own regional representation. But Mr Hazell says they will care when they are seen getting a better deal because they

have a bigger political voice. He compares the situation to that of Spain 20 years ago. The nationalism movement grew quite quickly after the reform of the House of death of General Franco and Lords," he said. He also in 1979 Madrid granted Catalan and Basque regions. The government did not the move unleashed calls for "sleeping dragon" of English regional governments in Andalucia and other parts of Snain. Madrid was forced in

stirrings of English national ism in the north-east, which is pushing for an assembly.

Critics of the reforms say that once Scotland has a degree of independence it could press for separation from the UK altogether. Some members of the Scottish National party want to use the forum to declare

But Mr Blair insists that what would really pull the

country apart would be resistance to calls for change, leaving a choice between an unacceptable

the end to concede a tier of

REGIONAL GOVERNMENT SNP WANTS OVERSEAS TRADE OFFICES AND ROLE IN EU COUNCIL OF MINISTERS

Nationalists demand Scots foreign ministry

in London

Scotland should open its own foreign affairs ministry when its new parliament is set up in May, the Scottish National party said yester-

George Reid, external meeting of diplomats and foreign correspondents in London: "It will be a key battleground in the new parliament between the SNP. which is eager for Scotland to rejoin the world, and Labour which is determined

ent UK parliament) should act as its gatekeeper." The first elections to the

300 years, will be held in May. The SNP campaigns for full independence for Scotland in the European Union affairs spokesman, told a while the governing Labour party and the opposition Conservative and Liberal Democrat parties want it to remain in the UK.

Alex Salmond, SNP leader, wants to hold a referendum on independence in the par-liament's first four-year term

parliament, the country's

that Westminster [the pres- and the party wants to use tish issues such as fishing, its presence in the parlia- Mr Reid said. The SNP ment to establish institutions in preparation for inde-Mr Reid said an external

affairs department would handle relations with EU institutions, the UK and Commonwealth. He wants it to have a proactive role in developing foreign policy relationships rather than the "cosmetic consultation" envisaged by the Labour

Scotland should have a Ministers on important Scot-

wants an office of the Scottish government in Brussels and a European committee in the Edinburgh parlia-

It also wants to set up a network of offices overseas to boost Scottish trade, tourism and inward investment. But the Labour government in London will resist the transfer of power for foreign affairs. It said yesterday that Mr Reid would be the SNP's "minister for conflict" voice in the EU Council of that would wreck the parlia-

puts support for the SNP at 39 per cent of the Scottish electorate, with Labour on 38 per cent and the Conservatives and Liberal Democrats each on around 12 to 13 per

in Scotland - 65 per cent according to the latest polls believe independence is inevitable and 35 per cent of the electorate is actually in favour of it. "There is a subterranean stream of Scottish nationalism which has continued for the past 300 years," Mr Reid said.

The SNP says most people

Index Trust in 1990. Failed in July 1991 to tell

was a going concern. blowing" report.

EUROPEAN UNION GOVERNMENT WILL SOON PUBLISH DELAYED PLAN FOR SWITCH FROM STERLING TO EURO TRADE UNION CHIEF WARNS OF DAMAGE FROM STAYING OUTSIDE

Netherlands PM visits Blair to commend euro

By Andrew Parker, Political Correspondent

Tony Blair yesterday single currency, but coupled stepped up his government's to a request that efforts to efforts to soften public scepticism to the European single currency by giving a British platform to Wim Kok, the Netherlands prime minister, to argue the bene-

fits of monetary union. "Economic and monetary union has strengthened Europe internally and externally...I hope the UK will told businessmen in Bristol. south-west England during a ing in euro-zone countries no visit with the British prime

Mr Kok is expected to be UK and argue the case for European Union. Goran Persson, the Swedish prime

Separately, London has

sent a diplomatic message to other European capitals about its wish to join the convince a scentical British public should not be blunted by disputes over tax har-

Before a question and answer session with the businessmen in Bristol, Mr Kok went declared that the launch of the single currency had been a success. He said the euro would foster more trade and investment because companies operatlonger had to contend with exchange rate fluctuations.

Mr Blair said the UK welthe first of several centre-left comed the euro's "good European leaders to visit the start" and wanted it "to succeed". He acknowledged the positive engagement in the public debate about the euro was currently "pretty poor". adding: "It's part of our job minister, has already agreed as a government to get out and raise the level of it." Meanwhile, a UK govern-

Mr Kok would be Britain's preferred candidate to come the next president of the European Commission the Dutch prime minister had indicated he was unlikely to be available because he is only part-way through the second term of

his government. The National Changeover Plan setting out the practical measures needed for a British transition to the euro has been given final approval by ministers and is expected to be published in the second half of this month, Kevin

The changeover plan sets out a timetable for switching from sterling to the euro if British membership sometime early in the next century is approved by parliament and by the electorate in a referendum. It does not deal with whether the gov-



City of London mayor deplores delay over entry

London could start losing financial business to other European cities in less than five years if the UK continues to postpone a decision rency, and that the City still on joining the euro. Lord Levene, Lord Mayor of London, said yesterday.

The financial community would like the UK to join within three years," said Lord Levene, whose jurisdiction is the City of London. His warning is one of the sharpest criticisms from a UK will have to come off the representative of the financial community against the wait-and-see attitude

adopted by Tony-Blair, the

A month after its launch. the euro has imposed itself as a global reserve currency. In January, it accounted for half of all funds raised by borrowers on the international capital markets, compared with 40 per cent for the dollar. The combined market share of the 11 euro- sidelines with damaging zone currencies had never risen above 35 per cent and orders if it does not before the launch Lord Levene said London was ready for the single cui-

processed more euro-denominated transactions than all euro-zone members combined. "London is still a major financial centre, but it can not hang on to that posttion if it does not take account of what is going on in the rest of the world. The fence soon."

Lord Levene also warned that plans by the European impose a withholding tax on ence. bonds would affect not only the UK, but all EU financial centres. "If such a tax were to be introduced by force. business would move to [other financial centres, such as) Zurich or Bermuda."

costs for industry in lost jobs adopt the euro, the AEEU engineering workers' trade union said yesterday, Robert Taylor writes. "British industry cannot

afford to be outside the single currency," it said. "UKbased companies will face a competitive disadvantage through currency fluctuations and transaction costs. It makes more sense for inward investors to locate within the euro-zone."

be increasingly co-ordinated Commission, the EU's Brus- on a dollar-euro-yen axis,

and 2 per cent lower by the • The UK will be left on the end of the year.



THE REPUBLIC OF POLAND

The Ministry of the State Treasury

Acting pursuant to the Act dated August 8, 1996 concerning office of the Minister of the State Treasury (Dz. U. Nr 106, poz. 493 as amended), the Act dated August 30, 1996 concerning commercialization and privatization of state-owned enterprises (Dz. U. Nr 118, poz. 561 as amended) and the Act dated June 10, 1994 concerning public orders (Dz. U. z 1998 Nr 119, poz 773) hereafter called the "Act" as well as the Ordinance of the Council of Ministers dated June 3, 1997 concerning the scope of analysis of a company and state-owned enterprise, the manner of ordering it, the development of principles of takeover and financing and conditions, satisfaction of which allows to renounce preparation of the analysis (Dz. U. z 1997 Nr 14 poz. 408) the Minister of the State Treasury

announces

an unlimited tender for ADVISORY SERVICES

concerning preparation and servicing of the process of selling of 25% - 35% of shares in the company

Telekomunikacja Polska S.A.

in the mode of negotiations commenced pursuant to a public invitation

The contractor selected in the course of the tender procedure shall be responsible for preparation and full servicing of the process of making available of shares in the Company to third parties in the mode of negotiations commenced pursuant to a public invitation.

The detailed scope of works is provided for in the Specification of Basic Terms of the Order, available at the seat of the Ministry of the State Treasury (Department of Strategic Companies and Financial Institutions, room 461).

Offers in sealed envelopes should be delivered to the seat of the Ministry of the State Treasury, room 477, Krucza 36/Wspólna 6 Street, Warsaw, by the closing date of February 26, 1999 by 12 o'clock.

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Electrolux sees e-commerce light

It started slowly, but the momentum is growing. Across Europe, a wide variety of compa nies, large and small, are taking the internet to heart putting it at or close to the centre of their business strategies. According to Forrester Research, the US-based market consultancy, the value of electronic commerce in Europe is forecast to soar from \$1.2bn last year to \$64.4bn in 2001.

This huge increase will be driven by greater internet usage,

he big restructuring undertaken by Electrolux during the past 18 months - involving job losses, plant closures and subsequent financial recovery - has grabbed the head-

Yet there has been another, quieter, development at the world's biggest electrical appliance manufacturer, which may eventually result in even more significant changes.

The group has been developing a comprehensive internet strategy that will, it believes, deliver important advantages over its

MatsOla Palm, executive vice-president for Europe, sees the initiative as a natural development for a company driven by technology: "We established an Innovations Centre in 1996 to begin developing tools for the internet. There is a culture here where people are not afraid to try

It is a technology philosophy that filters down from senior management – Mr Palm is a former International Business Machines engineer - and one it aims to spread throughout the organisation.

That is probably the group's biggest challenge. Electrolux spans some 500 separate companies operating in more than 100 countries, with about 90,000 employees. It has thousands of suppliers, and millions of

But its vast distribution network, its large product base and global spread make it, in Mr

better technology, improved security, and a wider selection of merchandise and ser-

The opportunities, and threats posed, to business are immense. Who will be the winners? What is the best internet strategy? What are the risks? What are the rewards?

In the US, estimated to be some 18 months ahead of Europe in its use of the internet, the embrace of the new medium has

Palm's words, "ripe for the innovation of the internet." Important developments are already under way. Distrilux, the

group's sea distribution subsidiary, has become the first company within the group to conduct all its business across the

"If Distrilux's suppliers are not online, they cannot do business with us any more," says Anders Edholm, head of internet developments at Electrolux

That development has been co-ordinated by Electrolux's internet steering committee, which was formed last year with senior management representatives from the group's six business units.

One of its functions, says Mr Edholm, is to ensure that the group's brands, such as Zanussi and AEG, which are common across different businesses, are universally promoted by forth-



europe.com

coming Electrolux web sites. The group at present has only a single, English-language, web site (www.electrolux.com), albeit an award-winning one. But its Global Website Project will shortly begin rolling out foreignlanguage sites across Europe, and eventually worldwide.

An electronic mail handling

Some companies, such as Cisco, the internet networking group, have made it a central part of their organisation. Others have taken a more cantious approach. Few, however, have chosen to ignore the inter-net completely.

Today, the Financial Times begins a weekly series, europe.com, which will feature some of the European companies putting the internet at the forefront of their business

the area of the group best equipped to deal with any query. For Mr Palm, it is contact with the customer that is providing Electrolux with its most impor-tant benefit. "We have never known who our customers are the internet changes all that. We can now communicate with them, know which products they like, what problems they have.

"It has brought a major change in the culture of our organisa tion. Now it is the customers who drive product development. The entire organisation has to develop in this direction because the demand will come directly from customers - for information, services, support, and eventually products themselves."

Mr Palm believes that direct purchase online by customers of white goods - washing machines. fridges and cookers - will remain a distant prospect. This is because of the strong position retailers exert in the market, and customers' preferences to view and discuss the products.

However, closer ties with retailers via the internet are planned, again to promote feedback from both trade and public. It is also designed to widen access to information on Electrolux products, and a trial project is under way in Portugal, with a number of retailers online.

Other areas of Electrolux's business are also being explored for e-commerce. Some spare parts, for example, can already he ordered over the internet. system will be introduced to Manuals for appliances, which channel customers' responses to are among the most popular

requests from consumers, are to be posted on the new web sites. While important developments

are taking place on the consumer been integral to Electrolux's side of the business, the impact of the internet on the group's supply chain - with the exception of Distrilux - has been limited. That is mainly because of its extensive use of Electronic Data Interchange (EDI) with many of

EDI involves the electronic exchange of information between customer and supplier on dedicated transmission lines. It has

organisation for several years. That too is changing according to Mr Edholm. A central purchasing unit for the group has recently been established as part of the restructuring. The purpose

in this development. Suppliers, too, are increasingly

looking to the internet for their ordering requirements - although numbers are still relatively small.

Mr Edholm believes the trend towards greater use of the internet will lead to a sharp rise in demand from suppliers as well as customers to conduct business

ticularly taxing as integration

moves from theory to practice, he

admits. After creating more than

100 integration teams to discuss

how DaimlerChrysler could

extract the \$1.4bn (£850m)

savings it forecasts in short-term

synergies, the emphasis in 1999

That is likely to cause disap-

pointment and anger among the

many executives Mr Renschler

"You're certainly going to hear

some rumours," about the mar-

riage hitting the rocks, he fore-

casts. "What we need is a con-

His first task is to get to know

calls his future "customers".

be conflicts."

seen as playing an important role online. That is why Electrolux is developing an internet policy now in the belief that it will be well rewarded: "The internet is going to have a great impact on our business. It is important that we are prepared for developments as they begin to happen. christopher.price@FT.com

Christopher Price



is to cut costs and the internet is

INTERVIEW ANDREAS RENSCHLER

All eyes on the mega-merger integrator

DaimlerChrysler's new head of global

executive development explains his strategy to

Haig Simonian Outside Daimler-Benz, will be on implementation.
Andreas Renschler's That is likely to cause of name means little. Even pointment and anger among in the motor industry, his reputation as the man who helped to devise, and then implement, the

German group's move into sports utility vehicles at a plant in Alabama barely stretches beyond But Mr Renschler, a fasttalking 40-year-old, is about to change gear. In a world moving to ever bigger cross-border merg-

ers and acquisitions such as last year's takeover of Chrysler by Daimler-Benz, he is the first of the new management "integrators". Last month, he was appointed DaimlerChrysler's head of global executive management development. He will oversee the careers of the top 2,000-3,000 bosses and try to avoid putting round Americans in square something

German slots. "A big thing in our company was, and will be more in future, to find and develop the right executives," he says. While both Daimler-Benz and Chrysler had managers charged with such tasks, Mr Renschler will be pivotal in developing a new breed of man company since 1988, Mr Renexecutives for the merged group. "It will be my job to identify

the right people, recruit them for top positions around the world and to supervise the overall management training and development process," he says. That will make him decisive in ensuring that one of the earliest of the recent mega-mergers does

not end in cultural catastrophe as executives from Daimler-Benz and Chrysler fight it out when integration begins in earnest. Mr Renschler, who has worked as an assistant to two former

chairmen of the German group's Mercedes-Benz vehicles subsidiary before spearheading the M Class, does not minimise the challenge: "I will be doing something that will really help us create DaimlerChrysler." But he recognises that a relatively young German could also face big credibility problems in such a sitive role

The next 12 months will be par-

Picture: Mike Oakley

nently as Daimler-Benz's Germans. "I have to work to get to a point where people can trust us." Mr Renschier's relative isolation developing the M Class may be an advantage and is probably one reason he

structive discussion. There will was selected for the job. His time in Alabama has given him an It will be up to Mr Renschler image of relative independence. and his team to smoothe the dif-Mr Renschler says the idea for the job came directly from Jürferences and prepare appropriate gen Schrempp and Bob Eaton, DaimlerChrysler's joint chairmen, reflecting the importance they placed on executive development and general cultural crisis management. What looked like an interesting proposal turned into a fait accompli when Mr Schrempp announced the move to DaimlerChrysler's top 300

"What I learned was that it was not so much a question of culture. There are differences, of course. But you can only do business well one way. And it worked. Today, the only differences you can hear are people's funny accents."



Linux has no room for Wimps

Software that breaks the 'stranglehold' of industry giants provides a focus for dissenters - but such commercial independence cannot last

Linux is not just about software. Among devotees, the "alternative" computer operating system has become a religion. It represents freedom from the grasp of Microsoft, rebellion against the status ouo. independent thinking and technical prowess, and it is growing rapidly.

It is hardly the first time computer technology has stirred such feelings, in the 1980s there was the Apple Macintosh: "the computer for the rest of us" that appealed to those who rejected IBM's alleged "stranglehold" on computing.

Then there was the internet. which before the web was devilishly difficult to use. non-commercial - even anti-commercial - vet enormously popular among the early 1990s generation of computer hobbyists. Sun Microsystems' Java programming language tapped similar sentiments and rapidly became an important approach to software development.

But Macintosh, the internet and Java are now "mainstream" so it was high time for a new counter-culture movement to arise among computer

Linux is free, it works and is one in the eye for Bill Gates. That alone gives it a strong following. It is also, to date, the preserve of computer nerds. The challenge of getting Linux installed on a computer is a rite

In the Linux world, if you need to have a point and click interface on your computer, you are a Wimp (windows, icons, menus, pointer). Purists would rather type in Unix-style commands. The Linux "mafia" (as it calls itself) is friendly - so long as you share its passions. The Silicon Valley Linux User Group, for example, holds an "Installfest" once a month at which members help each other to get Linux running on their computers. There are also pub gatherings and all manner of dinner meetings, almost every day. Linux has become the latest excuse for geeks to gather and to decry the earlier generation of internet entrepreneurs who "sold

out" to capitalism. But the writing is on the wall. Hewlett-Packard, Dell Computer and several other big computer manufacturers now offer support for Linux. Red Hat and Caldera, two independent software ventures, are packaging Linux into commercial products. Linux is fast becoming part of the mainstream its supporters despise. In the meantime, the vast majority of PC users are probably better off sticking with Windows. They may not admit it, but the Linux crowd would prefer

to keep it that way.

An item in the last Eagle Eve column complained that it was nearly impossible to buy a PC without paying Microsoft a

"Windows tax". This has become the battle cry of the Linux community. Next week, Linux enthusiasts and others plan to hold a protest event, demanding refunds for the unused copies of Windows that came with their PCs, at the Silicon Valley offices of Microsoft.

At issue is whether PC buyers should have to pay for a Windows licence if they do not want to use the Microsoft software. The Microsoft "end user licence agreement" included with all copies of Windows (and new PCs pre-loaded with Windows) states that users must agree to its terms or "contact manufacturer for instructions on

Linua Torvalds: his Linux operating System is revered by disciples

return of the unused product(s) for a refund". PC makers have refused requests for refunds, the protest organisers say, so they are going direct to Microsoft. Thousands have already

Windows Refund Day. This might be a publicity stunt, but it is not without cause. How ong before the Justice Department takes notice? The irony is that Linux supporters may be playing into the hands of "the enemy" by proving that there is competition in the PC operating system market.

enquired about the Microsoft

Internet telephony has been all talk and little action during the past year. But this week Networks Telephony Corporation, a California start-up, launched services that may turn internet access providers into international

telephone companies in a hurry. NTC takes a radically different approach. Its "internet" phone calls will not go via the internet. Rather, it will route calls via the global networks of infonet Services, a data communications service. The difference is that voice - or data - sent via the internet encounters arbitrary routing decisions. When data are transmitted, this does not cause problems, but voice messages are more sensitive to delays, degrading the sound quality of

In contrast, NTC uses Infonet's 'deterministic" IP network, which routes traffic on pre-determined paths. It enables NTC, for example, to choose the cheapest route by directing a phone call to a telephone operator with which it has negotiated a good price.

NTC does not plan to get into the telephone business. Instead the company provides a turnkey service to ISPs to enable them to offer low-cost international telephone services. For ISPs struggling to differentiate themselves from competitors, that is an attractive proposition. For companies and individuals Who make a lot of international phone calls, IP routing may be a oig cost saver.

The test will be whether sound quality lives up to users'

regional ISPs are ready to take on the telephone companies on whom they themselves rely for services. However, NTC's use of a network that routes traffic according to cost or other priorities is the future. And, as NTC demonstrates, when this technology is applied to the internet, traditional telephone companies will be forced to embrace internet telephony, or will have nowhere to hide.

Internet stocks may be overvalued, but how often have you regretted missing the boat on Microsoft, Yahoo!, eBay or any of the high-tech high-fliers? Paul Deninger, chairman and chief executive of Broadview International, the mergers and acquisitions experts, suggests a lower-risk investment strategy. Trying to be a genius by picking vinners in the internet sector is a mug's game, he maintains. Better to focus on a new segment perhaps internet auctions or internet customer service -

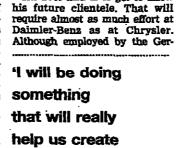
and to invest in all the companies that offer shares to the public. Broadview's research shows that only 51 per cent of high-tech companies that went public in the US during the past six years are now trading above their initial offering price. So the bet is that one or two companies in a market segment will pay off. compensating for those that fall

by the wayside. But what if the whole segment is a dud? (Remember pash technology and pen computers?) It may not require genius, but some critical analysis still goes a

Share your views in the Eagle Eye discussion group on the FT web site (www.FT.com) or contact Louise Kehoe by e-mail on



■ The FT's review of Information Technology appears today and on the first Wednesday of each month



DaimlerChrysler'

career paths for all.

schler's past six years have been spent largely in the US.

His last big task in his old job was to study how to boost M Class production to meet soaring demand. That involved initiating additional output at an Austrian plant. Once the idea of a shared factory was agreed, co-operation with Chrysler on production and logistics was inevitable.

In his new role, Mr Renschler expects to divide his time between Daimler-Benz's base in Stuttgart, Germany, and Chrysler's headquarters outside Detroit. "Realistically, it will be more like 25 per cent Germany, 25 per cent Detroit, 30 per cent at operations abroad and the rest in aeroplanes - at least in the initial phase," he predicts.

He wants to be seen as representing Daimler-Chrysler, not Daimler-Benz. To establish credibility, he says, his new team will feature Chrysler people as promi-



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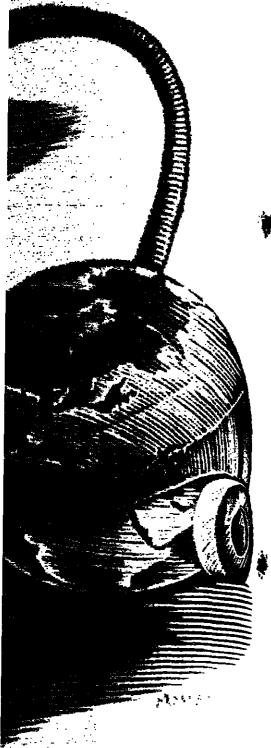
40 - 1 Apr. -

executives last month. Yet he appears to relish the challenge. "I already have a track record in team building," he says. With speed and experience essential in getting the new vehicle into production, Daimler-Benz trawled wide to hire managers for its new plant. "At Tuscaloosa. we had people from every car company in the US. Everyone brought their own 'packages' with them, based on how things were done at Nissan, Toyota, Ford or wherever else they had

Forging the same spirit at DaimlerChrysler will be much toucher.

Whatever his progress, one thing is sure. With crossborder mega-mergers becoming a fact of life, Mr Renschler's efforts to integrate executives and develop careers at Damiler-Chrysler should guarantee him a much wider audience at other merging multinationals than any-

THE ARTS



Christophe: Price

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There àге ballet competitions all over the

world. America, Finland, Russia, Bulgaria, France host contests - there is really no other word for them - in which young (or young-ish) professionals spin themselves into the ground in such venerable showpieces as the Don Quixote duet, almost boring holes in the stages with multiple pirouettes and certainly boring the viewers, in the hope of medals and, more especially, the chance to win acclaim and work. Artistry comes second to mechanical proficiency, though phenomenal gifts can be recognised -Makarova, Semenyaka, Baryshnikov were once successful contestants in these dance Olympics. And, in Lausanne, there is a different competition, held annually at the end of January (it is in its 27th year) whose concerns are with helping young dancers become better dancers. It is, unlike the whizz-beng circus of international spinning, more sober

and more rewarding. The Prix de Lausanne is dedicated to helping dancers who are in the final years of their studies. Its purpose is to select the gifted and enable them to receive extra study at some of the most celebrated ballet schools in the world. A new award this year will pay for winners to spend a year as an apprentice with major companies our Birmingham and Lon-don Royal Ballets, troupes in Hamburg, Stuttgart, San Francisco, Copenhagen, Monte Carlo, among others working, dancing. It is this sense of service to the art, to meeting the real needs of the young who hope to make careers in the theatre, that gives Lausanne its particular cachet. For a week, the aspirants - 98 boys and girls this year, from around the world are given class, counselled. coached. And weeded-out, so that in a semi-final some 40 of them dance a classical solo and what is called a "contemporary" number, and in the grand final a last selection of 15 repeat these solos, add a solo of their own choice, while a jury of 11 distinguished teachers and

dancers decide on the awards. The semi-final and final are held in public in Lausanne's Théâtre de Beaulieu, and the final (and its closing dance performances by previous winners of the Prix) is transmitted live by Swiss television. All very exciting, well planned, generously funded, redolent with hope - and almost as exhausting (I'd venture) to watch as to dance. It took all of my goodwill to sit through the "contemporary" variations - more notable for their lack of variety and interest - some 50 times. It is difficult for the layman to understand just how important teaching is to:

dancers, from their very first steps as spaghetti-limbed tots to that last morning class before retirement. We know who dancers are from who their teachers are. Schooling shapes them, decides their fates. Great teachers make careers think of Pushkin's influence on Nurevev – and bad ones deform talent. And Lausanne's value resides in recognising this, so that teachers from around the world congregate there to assess pupils, recruit for their schools, view – beady-eyed – the work of other schools. This year's crop of aspirants was not outstanding: the

(What Mile Guillem does is right for her, but not for still inexperienced bodies.) For their test pieces, the young are asked to perform brief variations from the classic repertory - in the main, far beyond their competence - and then must bluster through a "contemporary" solo. These I thought uniformly fearful and a danger to life and audience talent spotted - authority; she took the stage limb. A decently trained

BALLET PRIX DE LAUSANNE

awarded. As a general obser-

vation I felt that among the

girls the use of their feet was

less than interesting - too

little control, too little sup-

pleness - and it was odd to

see (during a short but admi-

rable class by Christine

Anthony that preceded the

final) some of the girls kick-

ing their legs into "six

o'clock" positions that dis-

torted their entire frames.

ographer may make in a company; these obligatory solos made the children look foolish. It would be far better to require the contestants to perform a second solo from some established dancework of the past half-century. So we watched a series of Auroras and Albrechts and Raymondas and Basilios strutting their stuff, very tender and very serious in concentration, and then picking their way through the mire of the modern pieces. (An added hazard was the free choice of solos she seemed even more that the finalists were allowed to dancer these were of malign awfulness and merited prison sentences rather than performance.) And, of course, we in the

soon adapt to whatever con-

temporary demands a chore-

Young stars of tomorrow

Clement Crisp watches a group of dance hopefuls compete for a chance to shine

Prix d'Excellence was not young classical dancer can longing for the flash of by right. I hope she will have

baby Baryshnikov or a little to see her Giselle in five Makarova was as likely as a years time. As the jury deliblottery win. I did, though, erated, an hour's perforsense that frisson of interest in the semi-final when a young Spanish girl - Clara reographic mayhem but a Blanco Casquete, aged 15 - notable prize for the audistarted to dance the first act variation from Giselle. She was small, still with a trace Ballet) who gave to Balanof puppy-fat, but she created chine's Tchaikovsky pas de an imaginative world (which deex a joyous bravura that was Giselle's) and inhabited maryellously illuminated the it, pouring out the dance choreography. And then the with sweetness and an innocent ease, offering delicious pirouettes and finesse in musical feeling. In the final, assured, and her choice of a second solo was from Vaganova's Diana and Acteon. which conveyed the same feeling of delight in the dance itself and a nascent

prizes, and the young dancers looking shy and happy amid the applause. Lausanne has provided a splendid and serious boost to their careers - and they deserve it.

mance by previous Lausanne

laureates brought some cho-

ence in the dancing of Pascal

Molat (of the Monte Carlo

Main sponsorship for the Prix de Lausanne comes from Banque Edouard Constant, Par-neigiani Reurier and Beau-Rivage Palace Hotel

An endearing slice of musical comedy

THEATRE

IAN SHUTTLEWORTH

2 Planos 4 Hands

Sneaky. Canadians Ted Dykstra and Richard Greenblatt realised back in their late teens that they lacked the talent or the application to make careers as classical pianists; they make adequate livings working in theatre but they are now preeminent in the field of theat rical shows about their failure as classical pianists. 2 Pianos 4 Hands - a

Canadian and off-Broadway mash, now redirected by Jeremy Sams for British audiences – is a kind of cartoon autobiography of their parallel experiences (Dykstra in Edmonton, outside London, Greenblatt in Montreal), from their earliest days as dumb seven-vearolds knowing nothing about key or time signatures until their respective rude awakenings a decade later. The stage is here except

for a couple of grand pianos: the performers play numerous roles each, but remain in their formal concert schmatte throughout. The narrative emerges from the chronological arrangement of the intertwining sketches - this is an amiable enter-

tainment rather than tional blackmail by a dealfull-blown drama. The snub- making parent or the unexfeatured, mop-haired Dyk- pected nudge-nudgery of the stra is a more natural, more eager comedian, ready to the adolescent Greenblatt to mug horrendously or throw play his arpeggios himself into ludicrous shapes, but the moon-faced Greenblatt keeps up with

him most of the time.

one-handed because it impresses the chicks.

In contrast, the scenes in which the two are sum-Perhaps inevitably, one of marily rejected by a classical

The laughs of recognition are many and warm: even those of us who were never coerced into day after day of childhood music practice are familiar

with events and character types

the scenes consists of a oneniano, four-hands duet-cumunarmed-combat routine (not quite as violent as that performed by comedians Miles & Millner in the early Nineties, but not far off); in contrast, the finale is a straight rendition of Bach's D minor piano concerto.

are many and warm; even those of us who were never coerced into day after day of agonising childhood music practice are familiar with events and character types such as the slyly probing conversation between rivals in a competition, the emo-

ulty", although fictional, are truly harrowing, (Greenblatt here pulls off the feat of playing "My Funny Valentine" in a style that is audibly "white" and classically influenced without ever veering into parody.)

It all makes for an endear The laughs of recognition ing 90 minutes, and the presence in the press-night audience of at least one senior West End booker suggests that this Birmingham run will not be the last that British audiences see of Dykstra and Greenblatt.

Uncomfortable rewrite lacking a tenor lead

William Weaver sees an ill-at-ease 'Werther' at the Met

In 1902, a decade after the the impression that the pro-occasion) second baritone Werther in Vienna, the great baritone Mattia Battistini approached the composer and suggested he recast the tenor title role of the opera for the lower male voice. fassenet complied, and during the latter part of his long career Battistini occasionally appeared as Goethe's young hero; he sang, it

seems, always in Italian, and also in Italian – he score was never published until the Seattle opera

revived it a decade ago. Now the Metropolitan is offering the 1902 redaction of Werther as a vehicle for its star baritone Thomas Hampson; but, curiously, Hampson does not seem quite at ease in the role, vocally or dramatically and the result is unhappy - a Werther without a Werther. On the basis of a single hearing, one would surmise that Massenet did not put himself out much with this revision. The rewriting of the tenor's music seems to consist mostly of replacing high phrases with lower ones. paying little attention to the efficacy of the recast lines. Thus unforgettable phrases, like "O souffle de printemps", leave the listener ~ and, it would seem, the interpreter - cold. Indeed,

the listener familiar with -

lot of wrong notes. Inevitably, the conclusion is that Werther is a tenor, and even a fine baritone cannot capture the youthful, lyrical élan of the original Rather than tender, Hampson often sounded hortatory.

A pity, for the rest of the cast was fine, and the Metropolitan orchestra played sensuously under Donald Runnicles. This lovely score, all and was virtually forgotten. Graham, something of a specialist in French music. achieved genuine tragic stat-III, but never allowed the destructive passion of her character to mar the warm beauty of her singing. Michel Trempont was an idiomatic

premiere of Massenet's tagonist is simply singing a Christopher Robertson made Albert into a rounded. human figure. Joyce Guver's Sophie was less fluttery than some interpreters of the part and much more affecting.

The production - directed by John Cox and designed by Rudolf Heinrich - has been around for a while, but is still remarkably fresh, delicate, cogent. One of the few bourgeois operas - along with Onegin and Katya recorded two Werther arias. interwoven with echoes and Kabanova - Werther unfolds The baritone version of the memories, unfolded like a in a world of garden chairs rich, seamless fabric. Susan and café tables and passers-by. Cox. without a lot of Zeffirellian fuss, sets the tragedy firmly in its context ure in her great scene in Act of quotidian activity. The return of this opera and this staging is a welcome event: now the Met has only to find a suitable tenor.

> Bailliff, and the (on this Metropolitan Opera, New York



and fond of - the opera has Susan Graham as Charlotte and Thomas Hampson as Werthe

INTERNATIONAL

AMSTERDAM

Netherlands Opera, Het

OPERA

Muziektheater Tel: 31-20-551 8911 Carmen: by Bizet. New staging by Andreas Homoki, conducted by Edo de Waart. The designs are by Wolfgang Gussmann and Gabriele Jaenecke, and the cast Includes Carmen Oprisanu and Martin Thompson; Feb 3, 6, 9

BERLIN CONCERTS Konzarthauz Tel: 49-30-203090 Berlin Symphony Orchestra: conducted by Eliahu inbal in works by Liszt. With mezzo sopreno Doris Soffel and planists Donald Sulzen and Enrico Pace;

Deutsche Oper Orchestra: conducted by JET Kout in works by Brahms and Bartók, with lano soloist Garhard Oppitz. Feb 3

Tel: 49-30-34384-01 Faust: by Gounod. Conducted by Sebastian Lang-Lessing in a staging by John Dew, Feb 4 Manon: by Massenet. Conducted by Sebastian Lang-Lessing in a staging by Cesare Lievi; Feb 5

BRUSSELS CONCERT Palais des Beaux Arts San Francisco Symphony Orchestra: conducted by Michael Tilson Thomas in works by Ives, Canteloube and Prokofiev, with socrano Christine Brewer,

FORT WORTH EXHIBITION Matisse and Picasso: A Gentle Rivalry. More than 100 paintings, sculptures and drawings on loan from collections around the world make up this first-ever exhibition devoted to the relationship

between the two great

modernists; to May 2

FRANKFURT CONCERT Alte Oper Tel: 49-69-134 0400 San Francisco Symphony Orchestra: conducted by Michael Tilson Thomas in works by Barber and Mahler, with vicilin soloist Gil Shaham; Feb 6

GLASGOW OPERA

Theatre Roval Tel: 44-141-332 9000 Scottish Opera: Der Rosenicavatier, by R. Strauss. New staging by David McVicar, Royal Festival Hall conducted by Richard Armstrong. The cast includes Joan Rodgers; Feb 6

HANOVER CONCERT-San Francisco Symphony Orchestra: conducted by Michael Tilson Thomas in works by Barber and Mahler, with violin soloist Gil Shaham; Feb 3

HOUSTON THEATRE Houston Grand Opera, Wortham Center Tel: 1-713-227 2787 www.hgo.com A Little Night Music: by Sondheim. Grant Gershon conducts a production by Michael Leeds, with a cast including Frederica von Stade, Thomas Allen and Sheri Greenawald; Feb 3, 6, 9

LONDON

CONCERTS Barbican Hall Tel: 44-171-638 8891 London Symphony Orchestra: conducted by Colin Davis in works by Elgar, Bartok and Beethoven, with violin soloist Sarah Chang; Feb 3, 4 London Symphony Orchestra: conducted by Colin Davis in

works by Beethoven and Elgar, with piano soloist Richard

genius, yet knowing that a a splendid career, and I want

Tel: 44-171-960 4242 London Philharmonic Orchestra: conducted by Kent Nagano in works by Bartók and Berlioz, with viola soloist Yuri Bashmet; Feb 3 Royal Concertgebouw Orchestra: conducted by Riccardo Chailly in works by Brahms and Schoenberg, with violin soloist Vadim Repin; Feb 4

MUNICH CONCERTS Philharmonie Gasteld Tel: 49-89-5481 8181 Munich Philharmonic Orchestra: conducted by Fablo Luisi In works by Wagner and Liszt: Feb 3 Philharmonie Folkwang Essen: in works by Bach and Beethoven, with violin soloists

Nigel Kennedy and Peter Daniel: Feb 5 Symphonieorchester des Bayerischen Runditunks: conducted by Lorin Maazel in works by Mozart and Bruckner, with piano soloist Murray Perahia: Feb 4

OPERA Bayerische Staatsoper Tel: 49-89-2185 1920 www.staatstheater.bavern.de Lohengrin: by Wagner. Peter Schneider conducts a staging by Götz Friedrich, Cast includes Adrianne Pieczonka and

Waltraud Meier: Feb 3

NEW YORK OPERA Metropolitan Opera, Lincoln Center Tel: 1-212-362 6000 www.metopera.org Moses and Aron: by Schoenberg.

Conducted by James Levine in a staging by Graham Vick, with sets and costumes by Paul Brown. Cast includes Philip Langridge and John Tomlinson:

PARIS CONCERTS Salie Pleyel Tel: 33-1-4561 6589 Orchestre de Paris: conducted by Frans Brüggen in works by Beethoven, Hummel and Schubert, with piano soloist Marie-Josèphe Jude; Feb 3, 4

EXHIBITION Grand Palais Tel: 33-1-4413 1730 Un ami de Cézanne et de Van Gogh: le docteur Gachet (1828-1909). Exhibition devoted to the doctor and painter who was a friend to Cézanne, Pisarro, Monet and Renoir as well as to Van Gogh, who famously spent the last weeks of his life with Gachet at Auvers-sur-Oise: to Apr 26, then transferring to New York

PERUGIA EXHIBITION Galleria Nazionale dell' Umbria

Tel: 39-075 574 1247 Beato Angelico and Benozzo Gozzoff: Renaissance Painters. Organised to mark the 500th anniversary of Fra Angelico's death, this show includes missing sections of his Polittico dei Domenicani, lent by the Vatican so that the whole, restored polyptych can be seen in its entirety; to Apr 11

ROME EXHIBITION łazzo Venezk Tel: 39-06-841 2312 '700 Veneziano: Capolavori da Ca' Rezzonico. Display of 18th century Venetian art, lent by the Venetian museum to the Palazzo Venezia, which once housed the city's ambassador to Rome. includes works by Canaletto, Guardi, Longhi and Carlevarijs, and Tiepolo's fresco cycle made for his villa at Zianigo; to Feb 18

TOKYO CONCERT Suntory Hall Tel: 81-3-3584 9999 Japan Philharmonic Symphony Orchestra: conducted by Kazufumi Yamashita in works by Hovaness, Takemitsu and Stravinsky, Feb 5

VIENNA **CONCERTS** Musikverein Tel: 43-1-5058 6810 San Francisco Symphony Orchestra: conducted by Michael Tilson Thomas in works by Ives Mendelssohn and Prokofiev, with violin soloist Gil Shaham;

ZURICH EXHIBITION Kunsthaus Zurich

Tel: 41-1-251 6765 Chagall, Kandinsky, Malevich and the Russian Avant-garde: exhibition exploring the artistic upheavals of the first two decades of this century. Includes important loans from the State Hermitage Museum in St. Petersburg and 14 provincial Russian museums; to Apr 25

TV AND RADIO WORLD SERVICE BBC World Service radio for Europe can be received in western Europe on medium wave 648 kHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV

 CNN International Monday to Friday, GMT: 06.30: Moneyline with Lou Dobbs 13,30: Business Asia 19.30: World Business Today 22.00: World Business Today Update

 Business/Market Reports: 05:07; 06:07; 07:07; 08:20; 09:20; 10:20; 11:20; 11:32; 12:20; 13:20;

At 08:20 Tanya Beckett of FTTV reports live from LIFFE as the London market opens.

MARTIN WOLF

Off target

The US is against linking exchange rates. But Japan and Europe could still set ceilings on the yen and the euro

"Target zones and similar for sound underlying policies and suffer from the defect that they could be pro-rather than counter-cyclical, thereby exacerbating, rather than countering adverse economic developments." Robert Rubin, Davos, January 30.

With these words to the World Economic Forum, the US Treasury secretary appeared to kill the notion of establishing a formal exchange rate regime between the dollar, the euro and the yen. The rejection does not preclude ad hoc intervention to deal with extreme volatility or large misalignments, But Mr Rubin's restatement of a long-held US position would appear to end the ambitions of some European and Japanese politicians for target zones.

Appearances are somewhat misleading. Establishment of target zones does not require US agreement. On the contrary, Japanese and European policymakers might find it advantageous to establish targets unilaterally. More precisely, they might wish to set ceilings for the yen and euro against the dollar. The idea is workable. It should also appeal to those European politicians who fear the European Central Bank's orthodoxy.

The difficulty in establishing a reciprocal exchange-rate regime among the three currencies is that they would need an agreed anchor for monetary policy. Consider a wide-band target zone regime of the kind recommended by Fred Bergsten of the Washingtonbased Institute for International Economics (FT, November 20 1998). Most of the time currencies would float freely. When

they reached their limits, however, there would need to be an acceptable and agreed basis for deciding whose policy was "too loose' and whose "too tight". Suppose an economy was

in recession, with low to weaken the currency (though any such statement about exchange rates must be made with caution). If the currency then reached the floor of its band (suggested by Mr Bergsten at 15 per cent around a central rate). the country would be required to tighten policy, thereby worsening the recession, unless the strong currency country were persuaded to loosen, instead. This, Mr Rubin rightly

target zone system will not be agreed. Yet even if such a target zone system is out of the question, a more one-sided one is not. Historically, the chief difficulty with running such a regime has come

complains, could be

to accept, it is safe to

"pro-cyclical". Since this is

not a policy the US is likely

assume such a reciprocal

when a currency is under attack. By contrast, a currency under upward pressures can always be kept down with a sufficiently expansionary monetary policy. For this reason, pegs have tended to fall whenever the anchor currency became too strong. This is what happened to Europe's exchange rate mechanism in the aftermath of German unification and to dollar pegs worldwide after the currency's post-1995 appreciation.

euro, however, the threat can be avoided by the simple expedient of not having lower limits. It is reasonable to assume the US authorities would normally take advantage of any inordinate dollar appreciation to loosen policy. Moreover, neither the ECB nor the Bank of Japan is at all likely to start an inflationary spree. Thus there seems little need for

In the case of the yen and

exchange-rate floors. Ceilings on the appreciation of the ven and euro against the dollar are a different matter. An

Price stability is not enough: Japan in the 1990s O1 1990=100

be made for announcing a permanent ceiling to the yen-dollar rate. But at least a temporary ceiling to the euro's rate looks attractive The Japanese case is clear.

Convincing the Jananese public that there is a celling to the yen's rate against the most effective way of eliminating the spectre of deflation. If that ceiling were set at, say, Y110 to the dollar (close to the current level), it would impose a lower bound on yen inflation in tradeable goods and services. Japanese inflation could not then be consistently below that in the US. This would make it easier for the Japanese authorities to establish negative real rates of interest, if and when needed.

What about Europe? The position of the ECB is that price stability is the sole goal of policy. Over the weekend, for example, Wim Duisenberg, its president, argued that further interest cuts would be only be justified by "persistently lower prices" - that is, deflation. In support, he noted that interest rates were at historically low levels. The proposition seems to be that monetary policy only affects economic activity via inflation, even in the short run.

Unfortunately, when

inflation is very low, it can

also be sticky. Price stability is then quite consistent with many different paths for nominal and real demand. Look, for example, at Japan in the 1990s. A casual observer of the chart would conclude that the Bank of Japan had done a wonderful job, achieving almost perfect price stability since 1992. Unfortunately, even as orthodox an institution as the International Monetary Fund has concluded that coincided with the emergence of a yawning output gap (difference between potential and actual gross domestic product as a percentage of potential output) of 10 per cent. Yet despite this shortfall, Japan has not suffered prolonged

deflation. The ECB's price stability objective may similarly prove compatible with stagnation. The fact that nominal short-term interest rates are historically low, as

Mr Duisenberg notes, does not preclude this. After all. inflation is also low, indeed in core countries of the euro-zone, it is virtually non-existent, giving short-term real interest rates of 2-3 per cent. This seems

high for a sound economy with a substantial current account surplus and high memployment, particularly one that is slowing down. The danger now is not just slowdown, but of a slowdown that will push the world into recession. Against such a background, a threat by the

European finance ministers

to impose a ceiling on the

euro's rate against the dollar eems at least a sensible tactic. What is more the treaty establishing monetar union says that "the council, acting by a qualified majority . . . on a recommendation from the Commission and after consulting the ECB ... may formulate general orientations for exchang rate policy". So let the Commission make the recommendation. The ECB will protest furiously. But the ministers can, it appears override such objections - or agree to drop the proposal in return for an inflation target of, say, 2 per cent (perfectly consistent with price stability, plausibly

measured). A unilateral exchange rate ceiling can always be revoked. For Europe this would pose no problem. But, without the fruitless task of negotiating a reciprocal target zone system, the euro-zone finance ministers would be removing one of the world's more significant threats: excessive ECB complacency in the face of a destabilising slowdown in aggregate demand. The suggestion of an exchang rate celling might persuade central bankers to reconsider their position. It would be a beautiful irony if almost the first act of European finance ministers in the brave new world of the euro would be partially to subordinate the new currency to the dollar. merely to bring an

Martin Wolf@fl.com

overcautious (and

over-independent) ECB to

he Yugoslav army has again been "on the offensive" - i.e.

killing unarmed

civilians - in Kosovo, and

another humanitarian crisis

is looming. The US and

Europe are once again pon-

dering whether anything

short of military interven-

tion can make Slobodan Mil-

osevic, the Serb president,

relent. But what if the US

and Europe came to different

conclusions? What if this

time the Europeans, but not

the Americans, wanted to

intervene? Science fiction,

some may say. But imagine

it came true. Would Europe

have the capability to go alone? Probably not.

As Kosovo shows, the

main problems facing Euro

pean defence are two sorts of

"out-of-area" operations: the soft kind (humanitarian aid,

peacekeeping) and the hard

rable but not separate".

Europeans have to build

almost from scratch. And

they can afford to do it only

If all then looks so reason-

the appropriate institutional

pean defence identity.

LETTERS TO THE EDITOR

Falklands' sovereignty not negotiable: we Islanders wish to remain British

From Ms Sukey Comeron. Sir, I refer to your account (January 28) of the report in La Nación claiming that Argentina is holding confidential talks with British of the Falkland Islanders. officials over the future of the Falkland Islands. This is a combination of overexaggeration and wishful thinking.

The governor of the Falkland Islands has assured us that no talks are taking place between the two countries and that reports to the contrary are, in his words, "entirely without founda-

We understand that the Argentine foreign minister raised the general question of sovereignty when he met Robin Cook, the UK foreign secretary, recently, but the UK government has reiterated that the UK position geous contacts with Chile

there will be no change of status of the Falkland Islands without the consent We are highly sceptical

about the concept of a sovereignty freeze; although if the Argentines wish to make any such proposals they are of course free to do so via the UK government. But our position remains unchanged: we wish to

remain British and are not prepared to compromise on this. We are self-governing internally and economically self-sufficient in everything except defence, and intend to meet defence costs as and when we are able to do

so. The Falkland Islanders welcome mutually advanta-

cessation of the Lanchile air service as a consequence of the Pinochet affair. However, we do not remains unchanged: sover and other friendly countries eighty is not negotiable and in the South American contibecome dependent on Argentina for our economic future or our links with the outside

Our bottom line is that we cannot contemplate a normal relationship with Argentina as long as that country maintains its wholly unjustified claim to our land.

Sukey Cameron UK representative, Falkland House. 14 Broadway.

Europe will acquire taste for junk bonds

From Mr Peter Morris.

Sir, There are many reasons why the European junk bond market is so much smaller than its US equivalent. They do not include the one that Lex cites (January

Leaving aside the telecommunications sector (no more than 20 per cent of the US market), junk bonds are generally issued in the US by junk bond market. Europe, companies with an estab- like the US, is full of compalished record of profits and nies that have an established London N5 2HD, UK

cash flows. It is unusual for a company to issue a junk flows. bond if it has less than, say, \$40m of EBITDA (cash operating profit). Tokheim, ited "menu" of financing which you mention, had alternatives. Over time. \$72m of pro forma EBITDA in 1997 (and \$740m of sales).

This is a long way from the "start-ups of risky new businesses" that Lex implies are the mainstay of the US

At present these European companies face a very limmany of them will come to realise that the bond market represents an attractive addition to that menu.

Peter Morris. 49 Belfour Road,

Beggar my neighbour replayed in the 1990s

Sir, Paul Krugman 's Personal View ("Japan heads for the edge", January 20) letters have supported the plus and causing problems idea that the way for Japan

to deal with its serious recession is to undertake monetary expansion; even, if nec- recover from the crises they essary, by printing money. fell into in 1997.

That would, of course, drive down the foreign exchange beggar-thy-neighbour polivalue of the yen, thereby increasing Japan's already expect Prof Krugman to be and several subsequent large current account sur- aware of that history. for other countries, especially Japan's Asian neighbours that are trying to

cies of the 1930s! One would

guest scholar, The Brookings Institution 8502 W. Howell Road,

Number One Southwark Bridge, London SE1 9HL

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PERSONAL VIEW JOSEPH STIGLITZ

Weightless concerns

How should governments regulate the production of knowledge? What policies will best encourage technologies to spread while defending intellectual property rights?

under way in the developed countries, with knowledge and information industries now complementing goods as driving forces of the economy. Internet research has joined metalbashing, information processing accompanies resource extraction, and the manufacture of physical side with the production of "weightless" knowledge.

This movement has revo lutionised our societies, changing the way we work, study and play. But the implications of these changes for public policies

Knowledge differs from ordinary goods, and a knowledge-driven economy demands new kinds of public policies. For instance, strong protection of property rights where actors compete over goods; where, for example, more jam for me means less jam for you,

the third US president, wrote, more knowledge for me does not mean less knowledge for you; I can light my candle from yours without extinguishing your candle.

A knowledge-based econ-

lenges. Knowledge and ideas are contagious. They have powerful spillover effects. often spreading like fire and triggering further innovareactions of new inventions. Transistors, computers, by innovators building on the work of other innovators, each of which earned only a fraction of their invention's value to the world economy.

But goods - as opposed to ge – do not always spread like fire, and their potential spillover effects are the market. By failing to dis- net. tinguish between stimulat-



Power of knowledge: cloning, Ike Dolly here, will transform society

policies have ignored such leader in basic and applied To cite another example,

while it makes sense for governments to leave the private sector to itself in making better fishing nets, there is room for governments to promote innovation on the internet, where the scope for positive knowledge spillovers is so far-

Governments have done a credible job of identifying to carry an idea from con-areas for support that have ception all the way to transformed our world. In

research, its government has now taken up the policy challenge posed by the information revolution, with the Department for Trade and Industry's recent White Paper, Our Competitive Future: Building the

Knowledge-Driven Economy. In a knowledge-driven economy, innovation must grow from an occasional burst to a steady stream able

Knowledge-driven processes are changing the nature of

competition . . . a very few winners often take all in one large market

the 19th century, the US government's support for agricultural research helped boost productivity, thereby laying the foundation for the transition from an agrarian to an industrial economy. Telecommunications services have developed with public sector support since their inception. Governmentfinanced research was vital constrained by the laws of to development of the inter-

From Newton's mechanics ing production of potato to the DNA double helix, and

This will mean not only uneven access to knowledge. modernising and strengthening higher education in science and technology but building bridges between the ivory towers of academia and the bustling world of entrepreneurial start-ups, to create Silicon Valleys of the future.

Knowledge-driven processes are changing the nature of competition. instead of many local, overlapping and genuinely competitive markets, the game chips and computer chips, even to cloning sheep, the has shifted to one in which a The author is chief a some misguided government United Kingdom has been a very few winners often take of the World Bank. has shifted to one in which a The author is chief economist

all in one large market. Just as global communications networks have created celebrities who are "famous for being famous", so too can an information-based product spread across a network of computer users, and be locked in as "the standard because it is standard" even if it is not the best product.

This raises new challenges for the drafting and enforcement of competition regulations: the current Microsoft case in the US is exploring this unfamiliar terrain.

Intellectual property rights are essential if there are to be private incentives for the production of knowledge. But the design of intellectual property regimes requires careful attention. Excessively broad protection can stifle competition and slow the pace of innovation as well as impede an otherwise low-cost spreading of knowledge (as in Jefferson's candle-lighting metaphor).

Until recently, the received wisdom in economic development focused on building infrastructure and factories, a strategy we now see as seriously incomplete. The World Bank has moved in this direction, with its recent World Development Report on "knowledge for development", and with its continuing evolution into a "knowledge bank". This recognises that the gap separating the developed from the developing world is caused not only by uneven access to capital but also by

Both developing and developed countries share this challenge of creating and nurturing knowledge-driven cultures of innovation and change. The global information-driven economy affects them all, and all must work together to establish policies to guide it in a long-term, integrated way that goes beyond all previous efforts at global gover-

PERSONAL VIEW EMMA BONINO

A single European army Now Europe has Emu, it should try for DMU - defence and military union.

The smooth launch of the euro shows how it can be done



Time to act: the EU cannot rely on Nato forever

framework to work toward that goal,

(peacekeeping). It makes political and operational Europe's economic and sense for Europeans to count monetary union is a case in on Nato for both kinds. As point. Ten years ago, the very idea of Emu was still Tony Blair the British prime minister, has said: "To speak under the scrutiny of a comwith authority, the Euromittee made up of 12 central pean Union needs to be able bankers and three indepento act militarily on its own dent experts, all under the when the United States is chairmanship of Jacques not engaged." This is what Nato meant when it defined Delors, the then president of the Commission. The comits military assets as "sepamittee came up with a threestage plan for Emu, adopted But Nato can be only a by the June 1989 European part of the solution. Sure, it Council in Madrid; the first would allow the Europeans stage started on July 1 1990. to avoid duplicating many The ultimate goal of full assets, infrastructures and monetary union was command chains. Many, but enshrined two years later in not all. Others, such as the Maastricht Treaty. But long-range transport and sat-ellite reconnaissance, the European governments remained firmly in control

by pooling their resources. This process needs to be Hence the urgency of a Eurore-run in the realm of EU Common Foreign and Security Policy (PESC, from its able and feasible, are we on French acronym). Under the the verge of a major reshap-EU's Amsterdam treaty, the ing of Europe's defence iden-European Conncil could protity? The answer is no. For vide a mandate to the newly no similar reform has ever appointed Mr or Ms PESC been achieved on the old and to the president of the continent without the follow-European Commission to ing three things: a firm comoversee a replay of the mitment to a final goal, how-Delors committee on Emu ever distant in the future; the attendant sense of direcinclude the 15 military chiefs tion to guide successive genof staff and senior diplomats erations of political leaders from member states and diplomats and bureaucrats;

committee chose to follow

throughout the whole pro-

cess, and from one stage to

the Delors model it could recommend a similar multistage plan, stretching over several years to achieve Diplomatic and Military Union,

Like the Emu model, the

or DMU.

first phase could be devoted to the strengthening of diplomatic and military cooperation, making use of the instruments already contained in the new EU treaty - such as the policy planning and early warning cell. In the second phase something similar to the Europrecursor to the European Central Bank) could be set in the diplomatic realms. In the third and last phase, DMU would be achieved and on along an endless list on both a European army and a which tons of very contro-European diplomatic corps

would see the light. As with Emu, the process would be overseen at all stages, and ultimately be decided upon, by member governments. In this sense. the British idea of creating a council of defence ministers there is yet no military counthe council of finance ministers in Emu.

The committee would be met with a deluge of scepticism. But so was Emu until a few months ago. Many will independent experts. If the

foreign and security policy they want to pursue. But again, look at Emu: it led to the creation of a European Central Bank around just one policy prescription, price stability. And when the bank was only weeks away from taking over the monetary policy of its 11 members, crucial policy decisions had still to be worked out. To meet a central British

concern, national armies and

disappear. As is the case with the relationship between national central banks and the ECB, a practias synergies may be worked out. There will be considerable wrangling over the length of the multi-staged period to phase in a full DMU. But from the Delors committee to the actual circulation of euro notes and coins, it will have taken Europe 14 years to achieve a full Emu. In between we had referendums and opt-outs, all sorts of doubts and sec ond thoughts. They will certhen again: in spite of everything, the euro is now flying.

Finally, many will object that once you have a military and diplomatic union union, viola!, you also have a federal Europe. I studipean Monetary Institute (the ously avoid the term, since it evokes a host of other institutional dilemmas, first of up, both in the military and all the powers of the paritament, the executive role of the Commission and on and versial pages have been writn. Whatever one wants to call such a Europe, though, the global scene it would have the authority all its member states presently lack and that Tony Blair, the UK prime minister, is rightly is particularly useful, as calling for, that no one could honestly claim to have been terpart to the role played by rushed to such union. Imagine 2015 as the deadline for a full DMU: it will be 70 years The whole idea will surely from the end of the second world war. No rush indeed.

say that before setting on for fisheries, consumer policy the course of DMU, inter- and the European Commi ested EU members need to nitu Humanitarian Office

Jame auditor

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guy existing in

Indonesia,

save B.J. Habibie. "It's all right

with me. The fact is that I'm the

A year ago, many people thought he would not be by now.

In early 1997, the rupiah crashed* on the rumour that Mr Habibie.

then a minister, was to become

vice-president and probable suc-

Indonesian and foreign inves-

tors were aghast at the sugges-

tion that this idiosyncratic aero-

space engineer, known for his

love of costly high-tech projects

and quirky economic theories,

would be just a heartheat away

from running the biggest country

in south-east Asia. They hoped

But Mr Habible is not only still

in office, he has bolstered his

authority and seen the rupiah

strengthen. What he has not

done is allay doubts over his abil-ity to deal with Indonesia's

deep-rooted economic problems.

When he took over from Mr

Suharto last May, Mr Habibie

surprised everyone with his more

open approach to government.

Political prisoners were released,

a new policy was adopted

towards the festering sore of East Timor, and fresh elections were

The pace of change accelerated

last week, with new voting rules

approved by parliament for a

general election in June and a

dramatic offer to give East Timor

full independence. Yesterday the

government unveiled proposals

to give provincial administra-

For a man regularly dubbed by

diplomats as crazy before he

entered office, it has been an

extraordinary performance. Mr Habibie's gesture on East

Timor and electoral reform may

be good news for those who yearn for change, but they also

reflect the president's tendency

to act upon impulse, often aggra-

vating Indonesia's sense of insta-

bility. He is, after all, the man

who staggered his compatriots by

buying the entire old East Ger-

man navy on an apparent whim.

also concrete achievements.

Since the rupiah sunk to an

has presided over a sharp recov-

ery in the currency, to around

Rp9,000 to the dollar, on the back

of strong export earnings. He has

just about managed to hold

together one of the most frag-

mented countries in the world in

the teeth of a bitter recession.

And he has shown remarkable

nimbleness in steering between

itself from scrutiny.

Joining the

They might be turning off the

lights to save energy at Kuala

Lumpur's new state-of-the-ert

International airport - but the rats

So far, more than 3,000 have

been caught scurrying around

government insists there's little in

found in such locations and it will

But that's not very comforting

to the passengers who spotted

accommodation with them on a

recent Malaysia Airlines flight to

Australia. The pilot had to turn

back because the pests have a

habit of chewing through wiring.

hours after a rat was spotted on

The government insists the

problem isn't disrupting airport

operations. But Lim Kit Slang,

Malaysia's opposition leader, has

other ideas. He's castigating the

transport minister for running a

rat-infested airport and reckons

the job should be privatised.

handing it over to anyone who

can exterminate the unwelcome

While General Augusto Pinochet

languishes in his koxury home in

visitors. Passengers may be

inclined to acree.

Kicking out

Another plane was delayed 15

board.

ratus ratus sharing first class

the shiny new complex. The

can do as rats are commonly

take time to get rid of them.

rat race

aren't bothered.

Suddenly, however, Mr Habi-

tions more power.

promised.

he would prove just a stop-gap.

cessor to President Subarto.

هدا من الرمل

THE EDITOR

CONTRIBATE THE ARY Francis

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taste for junk bonds

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FINANCIAL TIMES

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Wednesday February 3 1999

The good news about net stocks

is the internet share frenzy good or bad? To anyone who views these still mostly profitless companies as hopelessly over-valued, that might seem an odd question. Unsustainable valuations in

any sector are surely dangerous. After all, if US investors suddenly lost confidence in the current level of the stock market, the consequences for the world economy might be significant. But although internet compa-

nies are by far the most exaggerated beneficiarles of America's booming stock market, they should be seen as a special case. It is one we have seen before. Every big innovation – railways, electricity, cars, electronics, biotechnology – has produced a

huge surge of investment. Few of these hopeful companies fulfil their promise - although, as Alan Greenspan, the US Federal Reserve chairman, said last week, the handful that do are often hugely successful. But the failure of the great

majority of such projects does not matter. Bill Gates of Microsoft, himself deeply sceptical of current valuations, made the point last weekend. "At the core of it, the internet is a real thing," he said. The flood of capital into the sector, spurred by high share prices, benefited consumers and the economy. "You've got to feel good about it," he said, "even if all the investment has a very low

of America's role in the world: to will know.

provide the creative chaos that allows us to leap ahead in technology. Such surges of investment have have two consequences. They provide those companies - mostly US-based and owned - that survive with an unassailable technological lead. But in a neat twist of natural justice, they benefit all consumers everywhere, at the

expense of US investors. These narrowly focused waves of investment are in a different category from the structural over-investment that has caused such problems in Japan and Korea. And a frenzy in a particular, rapidly growing sector is not the same as systematic overvaluation of all financial assets.

Those who believe that US financial assets in general are dangerously over-valued fear that a collapse in internet stocks might spread more generally. That is certainly a risk. There is some comfort, however, in the fact that the really exaggerated values are found mostly within the high-tech sector. The broader market is not quite so dangerously stretched

The risks the frenzy poses are therefore probably manageable, through sensible steps such as the higher margin requirements recently set by online stockbrokers. If the short-term risks can be navigated safely, there are long-term benefits to technology manias - as anyone who rides on More broadly, this may be part a train or switches on the light

Tame auditor

failing to blow the whistle on the late Robert Maxwell would have been that the plunder of the Maxwell group pension funds took place only after the relevant audit reports had been signed. The long-awaited verdict of the accountancy profession's joint doubt that blame cannot be so

easily side-stepped. Mr Maxwell died in November 1991. Yet the complaints about the quality of the audit work, which are not contested by the firm or the partners concerned. go back as far as the 1988 audit. Had Coopers reported properly on early transactions that pointed to misuse of pension fund money, the £400m deficiency of assets that emerged on the tycoon's death might have been

considerably less. Why then, has this disciplinary process produced such a modest set of sanctions? Costs and fines of £3.5m are not, after all, much of a burden for a top accountancy firm which has been growing dizzily thanks to expanding non-audit fee income. Nor do the censures and admonitions visited on four individual partners add up to much while they remain partners in a firm that has now

merged with Price Waterhouse. Moreover, the snail-like pace of the inquiry has meant that the pressure on PcW to take action dog still leave a nasty taste.

The best excuse that Coopers & against those concerned is much Lybrand could have offered for reduced. It is too easy to declare reduced. It is too easy to declare that this is water under the bridge and that procedures have long since been tightened up.

> The case for leniency, it seems, rests on the fact that Coopers did not actually cause or contribute directly to the collapse of the Maxwell empire or cause direct financial loss. Curious argumen since when have auditors been able to wreck large business empires? And from the Maxwell pensioners point of view, was it not devastating enough that the auditors failed to prevent their potential losses from escalating?

Here, after all, was a man who had been declared unfit to run a public company by Department of Trade inspectors in the early 1970s. Yet the joint disciplinary tribunal identified a lack of objectivity in Coopers' dealings with the Maxwell companies. The complaints against the auditors revealed "shortcomings in both vizilance and diligence and a failure to achieve an appropriate degree of objectivity and scepticism" that might have led to ear-Her exposure. The pensioners in the Maxwell empire were entitled to expect better than that.

Much has been done over the past decade to improve the quality of accountancy and audit. But the reports on the Maxwell affair by the profession's senior watchaybe I am the most stupid Habibie has confounded his critics with his conciliatory policies, say Sander Thoenes and Peter Montagnon



Indonesia's surprise act

bie's chances of survival are Wiranto, commander-in-chief of presidential thinktank. looking better. Many of his detractors now believe he has a the armed forces, a group of fighting chance of winning the smart Muslim intellectuals and presidency, when an electoral the remnants of Golkar, the domcollege composed of the new parinant party set up by Mr Suharto. liament and 200 delegates votes Mr Habibie's success in wooing these groups is something of a surprise, considering that Indon-Part of the reason Mr Habibie being taken more seriously, esia's elite is largely a creation of of the crisis on the very poor. despite his close ties to the old Mr Suharto and has long regime, is that no clear chal-resented the former president's halted. After sprinking by 15 per ship. It is also true that eight low students from his university months in power bave conferred days say that even then Mr Habiupon Mr Habibie some of the bie made himself unpopular by working his way into the position prestige of office. But there are

of teacher's pet. "I thought we could get rid of all-time low of almost Rp17,000 to him in three months, because he the dollar last June, Mr Habibie is such a dummy," says one of Mr Habibie's opponents. "But I underestimated the people around him. And I did not foresee that Wiranto would back him."

The new president's trick appears to be his willingness. surprising to those who knew him before, to listen and to give his ministers leeway in pursuing their own agendas.

That is especially important in students' demands for democracy the midst of an economic crisis. and the desire of the corrupt It is not known whether the pres-Suharto establishment to shield ident still believes in his bizarre Before taking office, Mr Habi-"zigzag" theory, which calls for bie was not known for his ability lower interest rates as an antito listen to advice. Here again he dote to inflation. What is important is that he has not tried to has confounded detractors by surrounding himself by a group put it into practice. "He lets of able advisers, who are now nemie who know economics run among his strongest supporters. the show," says Umar Juoro, middle classes 'exceptionally His main allies are General economist at a hard, says Richard Newfarmer, a an

On the advice of the International Monetary Fund, Indonesia has stabilised its currency through a rigorous monetary policy, and secured \$14bn of international aid to help finance a budget aimed at limiting the impact

The economy's free fall has gross domestic product may be confined to around 3 per cent this

'I thought we could get rid of him in three months.

because he is such

a dummy

year. Inflation is expected to fall to around 28 per cent in 1999 from 60 per cent last year, according to average private sector forecasts tracked by Consensus Economics. Non-oil exports are forecast to rise to \$45bn, while the fall in manufacturing output is expected to slow to 2

per cent, from over 18 per cent last year. The collapse of the economy has hit the urban poor and the

senior World Bank economist, but it was less of a disaster for the rural poor. The latter have benefitted from the end of a terrible drought and rising domestic prices for commodities

worried that the level of poverty could double in the wake of the of the population below the poverty line has risen by only three percentage points to around 14 per cent. The willingness of people to accept wage cuts has also prevented unemployment

farmer says. The survival of some pockets of prosperity outside the main island of Java, and the sense that things could have been even worse, help explain why Mr Habibie still has a chance of winning the presidential elections. He lacks a strong constituency, but would be rivals are divided. The proliferation of political parties may lead to many of them failing to achieve the required 5 per cent of the vote to enter parliament. Mr Habibie's resilience is also a

product of the power vacuum created by his mentor, Mr Suharto, who quashed all potential rivals during his 32-year rule. As a result, few politicians are

in a position to challenge Mr

Habible. Even fewer may want

to, at least not until the economy

journalist, "They don't want to be too close to the hot seat." Mr Habibie may be a successful compromise candidate for the same reasons he has survived to

"The smart guys know it will

still be a mess for quite some

time," said Aristides Katoppo, a

shows signs of improvement.

date. "On the surface Habibie's prospects would look slim. On the other hand there is no really strong charismatic alternative," says Michael Leifer of the London School of Economics.

That, in turn, helps explain why Mr Habibie agreed to early elections and now appears committed to a democratic vote. "Habibie's survival depends very much on how the elections are conducted," said Emil Salim, a former minister. "If they are not fair, he is finished. I think he knows that."

Success for Mr Habible, however, is not necessarily good news for Indonesia. Even if he does win the presidency in November, he might not be capa-ble of delivering the strong leadership needed to bind the nation together. "He is a survivor but he has not solved any problems," said Yusuf Wanandi, a prominent political analyst and vocal critic of Mr Habibie. "He has divided this nation."

Mr Habibie has taken only symbolic steps against corrup-tion, and he has ignored demands to put Mr Suharto on trial for abuse of public office. Similarly, he has failed to prosecute senior military officers for the killing of students, political activists and Muslim clergy last year. He has also abandoned efforts

to woo students and political opponents, who wield great influence over Indonesia's restless working class. "His power base is an inner circle club," said Emil Salim, a former minister. "That is dangerous."

Moreover, the recovery of the rupiah reflects a heavy inflow of aid funds rather than any real return of economic confidence. The government, inexperienced at devising social welfare programmes, has not yet spent the World Bank funds placed at its disposal. The government has been slow to devise new banknunicy procedures and to clean up loss-ridden banks. Private sector investment is being put on hold until after the general election, while concern for the safety of the Chinese community, the target of violent riots over the Whereas the Bank had initially past year, is another factor deterring a fuller recovery.

"The external position is vuldevaluation, its preliminary find- nerable," says Hubert Neiss, ings, still controversial in Indon- Asia-Pacific director of the Intertional Monetary Between now and the elections he believes the central bank may be forced to raise interest rates to defend the runish, although he does not expect this to aggravate the recession.

In addition, foreign investors from rising sharply, Mr Neware increasingly concerned about rising crime. Factory owners stand alone in facing hungry workers, villagers who frequently plunder plantations and warehouses, and indisciplined soldiers who dabble in racketeering.

How long Mr Habibie can continue to ignore these pressing problems remains uncertain. A wrong response, a backlash against the corruption of the Suharto era, or further outbreaks of violence, particularly if they occur during the election campaign, could dash the electoral chances of a man who was a crony of the former president.

if Mr Habible's chances have risen because the opposition is splintered, he has yet to prove himself a statesman rather than

Chávez's task

Venezuela's difficulties have aging start, but his proposed been overshadowed this year by the Brazilian crisis, but the health of Latin America's fourthlargest economy continues to deteriorate. Unless Hugo Chavez. president who took office formally yesterday, quickly demonstrates a more comprehensive commitment to macro-economic stability, the country's slow decline will continue.

External pressures have grown since Mr Chávez's comprehensive election victory two months ago. The price of oil - which generates up to 50 per cent of government revenues - remains depressed. The turmoil in Brazil has made it more difficult for all Latin American countries to borrow on the international capital markets.

Since the beginning of the year the interest rate on Venezuela's international bonds has risen by more than I per cent to above 19 per cent, making it more difficult for the government to raise fresh

As a result, austerity will need to be even tougher than the incoming government would have expected. Venezuela this year faces a fiscal deficit equal to 9 per cent of its economic output, one of the highest levels in Latin America, The president's room

for manoeuvre is limited.

clean-up of tax and customs eva-sion will not yield dividends in the short term. Many of his own political supporters on the left and in the trades unions will oppose cuts in public sector

In addition, while controversial constitutional reforms are at the top of the new president's political agenda, he has been sending out mixed signals to investors about the future direction of economic policy. Last month, it emerged that Maritza Izaguirre. whose reappointment as finance minister was welcomed by the markets, would return to her old job at the Inter-American Development Bank before the end of the year. Important positions such as the central bank governorship have yet to be filled. Mr Chávez's more radical economic plans appear to have been quietly dropped. And for the moment, the president has turned down the idea of seeking a standby agreement with the International Monetary Fund that would bolster economic discipline.

With investors increasingly fearful of Latin American risks, Mr Chávez must provide more ressurance than would normally be required. The announcement of a clear economic policy and the appointment of economic ministers who will command Yesterday's announcements of respect internationally are urgently needed.

the English countryside awaiting the outcome of efforts to get him extradited to Spain, the Spanish judge pursuing him is keeping fit. Pinochet may prefer burying

himself in books on modern warfare and Napoleon but Baltasar Garzón, a passionate Barcelona football supporter, has been practising his skills as a goalkeeper when he's not gathering evidence.

Indeed, he's just proved himself a bit of a star turn in a charity match in aid of an anti-drugs campaign in the Catalan club's huge Camp Nou stadium. Watched by more than 60,000 fans, he helped a veterans team see off some attacking football by a "rest of Spain" contingent.

Apart from his abilities between the posts, Garzon is also thought to be an admirer of the chilena the name given in Spanish football jargon to the scissors kick. Pinochet already knows.

Name game It sounded like a great idea at

the time. What to call an organisation dedicated to promoting trade and understanding between two great nations? In 1983, when it was set up (and Japan had the upper hand in things economic), UK-Japan 2000 sounded suitably forward-looking, but it's about to look harrialy out of step. So the mighty minds who run an organisation that reports regularly

to both Japanese and British prime ministers, have been pondering a name-change. One option was simply to add a few decades onto the title but the organisation - which includes some of the biggest names in British business and politics -has gone instead for a fresh moniker. Arise the UK-Japan 21st Century Group. That should do for another hundred years.

Start crossed

OBSERVER.

Americans have bought the video and the dress. Now there's another spin-off from the Clinton-Lewinsky affair - a musical. Word has it that work has begun on Starr Struck, an original musical about the scandal. According to internet gossip

rag, the Drudge Report, the musical promises a "witty, raunchy, intelligent, hilarious and surprisingly emotional look" at the case. But who will play the leading roles? Tricia Leigh Fisher is said to be getting in shape to take Lewinsky's part, and Michael Halpin is preparing to play at being president.

Observer feels a touch of stage fright coming on.

Make a date

Remember that useful little calendar of events that reminds vou about international Left-Handers' Day and No-Shop Day? Well, it's somehow

managed to completely overlook one wildly popular occasion pencified in for early April. According to Babyworld, the first UK-based pregnancy and parenting website, countless couples across the country will then be doing their bit to produce the very first millennium offspring. Babyworld says it's on hand to help parents plan for complete success and reckons couples will have to take advantage "of the small window of opportunity that exists" if they

Babyworld predicts a higher rate of absenteeism from work as enthusiasts "complete the task at hand." Wouldn't do in the office. after all.

want perfectly-timed progeny.

Groundhog Days come and go. Sometimes on February 2, the critter in Punxsutawney. Pennsylvania sees his shadow, indicating a long winter, sometimes (as yesterday), he doesn't, presaging an early spring. But the big news yesterday was the timely demise of a rival Canadian groundhog.

Wiarton Willie died, apparently of "natural causes", shortly before his annual day in the sun (or shade). The show went on, after a fashion. Word has it a supine Wille could be viewed by the public - in a pine coffin: His paws were crossed, pennies were placed over his evelids and he was clutching a carrot.

Financial Time 100 years ago

Belgian Petroleum Monopoly

Brussels, 2nd Feb. In the Belgian Chamber of Deputies to-day M. Lorand made a complaint with reference to the monopoly enjoyed by a syndicate for the sale of petroleum in Belgium. To meet this evil, he asked that public warehouses should be erected for the storage of petroleum. He also advocated the use of debased sprits of alcohol instead of petroleum. M. Leebaert, Minister of Finance, dwelt upon the difficulty of adopting such a course and added that he was not in favour of the use of debased spirits of alcohol.

50 years ago

Mr. Truman And Stalin Washington, Feb. 2. The White House replied to-day to Marshal Stalin's new Invitation to Mr. Truman by referring once more to the President's recent statement that he would be willing to meet the Russian Premier, but only in Washington. Mr. Charles G. Ross, presidential Press secretary, stated that no official invitation had been received from Stalin, nor had any direct word come from the Kremlin beyond what was contained in Stalin's statement to the Press.



FINANCIAL TIMES

WEDNESDAY FEBRUARY 3 1999

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Borderline cases

How soon before European banks discover the joys of cross-border mergers? It seems a silly question when there are still domestic deals to do. These are easier, take out more costs and do not trample on national sensibilities. They also work. Italian banks have doubled their return on equity in two years through mergers. But domestic consolidation is a finite

game. In small markets like Benelux, the well has dried up, forcing the larger banks to build cross-border "super-regionals". Now these are looking beyond Benelux for deals. Even in France, a larger market, the merger of Société Générale and Paribas is talked of as the nucleus of a larger pan-European group.
But the problems facing pan-European

consolidators should not be underestimated. Lloyds-TSB's return on equity may be 31 per cent against Deutsche Bank's 6 per cent, but not all that differential is due to management skill. Some of it is down to inflexible labour laws and market distortions, such as undercutting by stateowned entities and mutuals. These are things an acquirer can do little about. Lloyds-TSB shareholders would hardly welcome a deal that diluted their return on equity long term. Pan-European mergers are undoubtedly coming but remain second best. Only those whose home market is fully consolidated or wallflowers that have been left on the shelf in the national consolidation process have a real incentive to set the transnational ball

Time Warner

American News

Stringing all that wire was worth it after all. Following years of investor scep- Formula One \$2bn bond issue. It is four ticism, the true value of the broadband networks put in place by the US cable companies is starting to emerge. Take this week's deal between Time Warner and AT&T. The phone giant is paying up handsomely for the chance to bypass rival an initial public offering last year for a Baby Bell networks and sell telephony Warner will receive \$300m (or \$15 for each of the 20m homes it passes) as a one-off payment, plus monthly access fees worth envelope with this issue. Asset securitisaa minimum \$360m a year from year six. tion has caught on with investors, but is And on top, it gets an equity kicker - a still relatively new. Basic service indus-22' per cent stake in the new telephony company, to which Merrill Lynch attri- to the market's taste than Formula One -

Donald Johnston, secretary-general of OECD, left, met Yevgen; Primakov, Russian prime minister, in Moscow for talks. Page 2

Spain and Portugal will be fine with and the Balkans will also be outle summy but southern Italy and Greece will be cold and unsettled

be dry with sunny spells and carmer than recently. Southern

will be fairly mild. Five-day forecast

expect snow flumes but northern Germany and the Low Countries

Spain, Portugal and France will an dry and sunny as high

and much of the eastern Mediter

end. A much colder north-westerly

flow is likely to develop over north

west Europe during the weekend.

3000

TODAY'S TEMPERATURES

ranean will see showers dying away but returning over the wee Share price relative to the S&P Composition

cent of Time Warner's current market

Nor does that exhaust the potential of those wires. The AT&T deal does not cover high-speed internet access or e-commerce. Given the continuous connectivity, fast speeds and quality of its upgraded digital cable network, Time Warner should eventually be able to turn itself into a leading internet service provider.

Meanwhile, the group's existing cable TV, media and entertainment assets are finally working cohesively, generating 15 per cent annual growth in operating profits. Even after doubling last year, the shares, at 15 times forecast earnings before interest, tax, depreciation and amortisation, have further potential.

Formula One

An serie silence has descended on the months since the deal was announced with a fanfare but nothing has happened. Bernie Ecclestone, Formula One's kets have it in for him. Having scrapped supposedly easier debt issue, he finds it the deal or is it him?

Mr Ecclestone was always pushing the tries with predictable earnings are more butes a net present value of \$5bn or 7 per essentially a vehicle for exploiting the

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rights to televise motor races. Question marks over its ownership of those rights, in the shape of a European Commission

But Mr Ecclestone has not made life easy for himself either. Formula One does not need the cash, which is destined for a family trust. This makes the issue look like an IPO by other means. Why should investors take an equity risk without an equity return? Morgan Stanley, Formula One's bankers, are still marketing the deal, but it seems special buyers will have to be found. Given the negative publicity surrounding the deal, these are likely to ask for price concessions. The question is: who will bear the cost of these, Mr Eccles-

Reckitt & Colman

Anyone would think, from the tribute-Sankey's resignation from Reckitt & Colman, that the sudden departure of a chief executive was normal. Clearly it is not. But the household goods company denied not only a boardroom row but even any heated questioning of Mr Sankey's performance. It may be that after seven years in the hot seat and 18 with the company, he was indeed tired and needed little pushing. It may even be to his credit that he has refused to brazen out a failure to

But a failure there has been, After refocusing the company and expanding in the US in the mid-1990s, Mr Sankey has flattered to deceive. Notably, double-digit earnings growth has proved elusive, even at the so-called "underlying" level -which has invited cynicism. Finally last November's profits warning made it clear that 1998 earnings would be down; 1999

Despite all this, Reckitt remains a decent collection of international brands - from Dettol to Disprin. It has rightly pushed into emerging markets, which should eventually deliver that precious growth. No wonder it is being talked about as a bid target. With an enterprise value of around £4bn, the likes of Unilever or Procter & Gamble could comfortably gobble it up. The puzzle is that - pace the caretaker - a vacuum has been created just when strong leadership is needed to

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tw to get share prices and m

PAWEATHERCENTRE

Albanian rebels agree to attend Kosovo peace talks

By Guy Dinmore in Belgrade

Ethnic Albanian rebel commanders in Kosovo province agreed yesterday to send a delegation to peace talks set to begin in France on Saturday. Nato warned the Serbian government would face air strikes if it failed to join the negotiations.
"We are definitely going to the

talks with our proposals," said Jakup Krasniqi, a spokesman for the Kosovo Liberation Army (KLA). He said the KLA would not give

up its demand for independence. The rebels would call for a referendum on Kosovo's final status at the end of the three-year interim period of autonomy proposed by western mediators of the six-nation Contact

Kosovo's ethnic Albanian majority voted overwhelmingly in favour of independence in 1991 in a referen-dum that Belgrade refused to recognise. A US draft peace plan for Kosovo leaves the issue of its final status vague, saying it would be open for negotiation with international participation.

mons to the peace conference issued by the Contact Group - Britain. France, Germany, Italy, Russia and

The issue could also expose divisions within Serbia's ruling coalition. The ultra-nationalist Radical party is opposed to negotiations hald abroad. But, if a vote is held, the Socialist party, led by President Slobodan Milosevic, can muster a majority with support from the smaller monarchist Serbian Renewal

James Rubin, the US State Department spokesman, warned: "I think the Serbians will be making a big mistake if they doubt Nato's determination to use military power if they fail to attend these talks."

Diplomats are confident that Belgrade will attend the talks, possibly sending a delegation of deputy prime ministers from the Serbian and federal Yugoslav governments.

The KLA delegation is expected to be led by Bardhyl Mahmuti and Hashim Thaci, both political leaders

The Serbian parliament is set to of the rebel group based in Swinger meet tomorrow to debate the summented KLA were revealed yesterday when its Kosovo-based he was opposed to the talks, which will take place at Rambouillet, a chateau near Paris.

Chris Hill, the US envoy who will be the main mediator at Rambouillet, warned of a period of "maximum tension" in Kosovo in the run-up to the conference. A spate of bomb attacks on Serbian and Albanian-run bars in the regional capital Pristina has added to the climate of fear in Kosovo, following the killing of at least 69 ethnic Albanians in raids by Serbian forces last month.

Both sides are likely to raise strong objections to the Contact Group peace plan, which blocks the way to independence while, in effect, removing the Serbian government's authority over Kosovo and giving sweeping powers to the head of the international monitoring mission

S Africa bank governor may face tribunal over Bankorp

Chris Stals, governor of the South African Reserve Bank, and senior private sector executives may be summoned to appear before an anticorruption tribunal that will try to recover R1.12bn (\$185m) used to bail out the Afrikaner-controlled Bankorp in the late 1980s and early

The Heath Commission, an anticorruption unit headed by Judge Willem Heath, has concluded that the Reserve Bank, Absa (a bank which bought Bankorp in 1992) and Sanlam (the life assurance company which controlled Bankorp and has a holding in Absa) have a case to answer about the rescue,

Investigators said yesterday they should be able to recover the money if they can prove the transactions involved were unlawful and not in line with normal central bank prac-

got off scot-free," said one. "Basically they flogged the bank at the a few weeks while an outside auditor

Some South Africans suspect the bailout was a case of members of the Afrikaner elite helping each other as report from the auditors," Guy Rich, apartheid crumbled. But the Reserve Bank has denied any wrongdoing, defended the secrecy surrounding the deal as necessary and said the aid was provided "within a framework of principles that was compatible with international practices and standards".

Absa, meanwhile, says it bought Bankorp on the understanding the assistance package was in place and regards it as "inconceivable" that it could have to repay the money.

Thabo Mbeki, deputy president, sought to dispel the uncertainty surrounding Mr Stals's future by telling the Heath Commission in May last year to investigate the lifeboat and

report back to the government "within the next few weeks". sion has finished its investigations and decided to try to recover the

money, although it says it will wait

Without us,

BP's oil flow would

wax and wane.

As hor oil from BP's North Sea Machar field travels 35km up from wellhead to platform, it cools rapidly,

and the wax it contains solidifies on the pipeline wall. This wax could soon inhibit oil flow, but a pigging system specially

developed by GD Engineering - part of John Crane - ensures that these oilfield arteries don't clog.

GD's unique sub-sea launcher uses pressure from the well to fire "pigs" - ribbed cleaning tools - through pipelines to scrape

off wax and carry it back to the platform for removal, without interrupting operation. The success of their first satellite well designed to rely on GD's remotely-controlled launcher means that BP can develop wellheads even further from their platforms.

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ing the next step.

The unit has taken a decision to act on the lifeboat case, pending a for the Commission, said yesterday. Asked who would be summoned to the tribunal, he said: "We cannot indicate at this stage who the parties are going to be."

However, those investigating the bank rescue say Mr Stals, who retires as central bank governor in August, and Piet Liebenberg, former Absa chairman, will be among those called, The Heath unit's aim is not just to punish corruption but to recover money for the state. Since it was founded two years ago, it says it has retrieved or saved R10bn.

One argument will centre on how the rescue worked. The Reserve 🕵 . Bank lent money to Bankorp at an annual 1 per cent interest which was deposited back at the Reserve Bank which paid out 16 per cent. The Reserve Bank says the rescue was in the form of a loan and legal, but opponents say the loan was a sham.

s agree to peace talks

WWW.

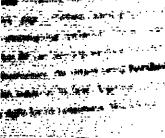
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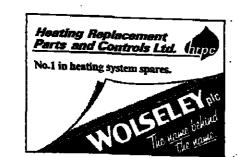


A CANADA MARINE

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FINANCIAL TIMES

COMPANIES & MARKETS

WEDNESDAY FEBRUARY 3 1999

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American

investors

back fund

to target

Europe

By Jane Martinson,

nvestment Correspon

UK Active Value, the

aggressive fund management

group, has raised \$800m mainly from North American

Institutional investors to

target for the first time under-

performing companies throughout northern Europe.

The amount is much more

than the company expected

and almost three times more

than its previous funds, which

have focused exclusively on

About 75 per cent of the

noney raised came from large

US and Canadian institutions, which have traditionally taken

a more activist role than their

Calpers, the world's largest

public pension fund and one of

its most activist shareholders,

has invested \$200m. Some

money is from UK municipalities and private individuals.

The group's success in raising money is an indication of

the increased interest in activ-

ist shareholding to add value

joint director of UK Active

Value, said the size of the new

fund would enable it to target

companies valued at up to

£700m (\$1.1bn) in the UK and

poor performers in continental

UK Active Value, set up by

Mr Myerson and Julian Treger

seven years ago, typically buys

more than 3 per cent of compa-

nies before seeking a change of

management or restructuring.

Both men have identified

Surope for the first time.

in Europe. Brian Myerson,

smaller UK companies.

European counterparts.

INSIDE

Spanish try to block Endesa Chile sale Shareholders in Enersis, Chile's principal electricity distributor, will vote tomorrow on the sale of its 25 per cent holding in Endesa Chile, the country's biggest generator. However, Endesa of Spain – no legal ties to its Chilean namesake – will be using its 32 per cent Enersis stake to try to block the sale. Page 20

Sankey steps down as Reckitt head Vernon Sankey stepped down as chief executive of Reckitt & Colman following growing investor unease over the performance of the household products and household medicines group he has led since 1992. Page 24

Shipowners in deep water on freight Shipowners in the dry bulk cargo sector are still reeling from the Asian crisis, which has savaged the global trade in commodities that is their industry's backbone. With freight rates at 12year lows, many shipowners cannot even cover their costs. Commodities, Page 28

Battle waged for euro products lead Leading currency derivatives exchanges are vying for a lead in euro-based currency futures and options trading. The Chicago Mercantile Exchange is being challenged by Finex, the Dublin-based futures arm of the New York Cotton Exchange. Capital Markets, Page 26

Jakarta awaits rupiah stabilisation



Indonesian shares weakened despite an endorsement from Mark Mobius of Templeton Asset Management, known for moving markets with his predictions. Shares are also iffected by social unrest and the first real

election campaign in

40 years is expected to cause clashes. Groups loyal to former president Suharto (above) have been accused of organising riots. Emerging Market Focus, Page 38

ARM posts strong full-year data Strong sales of digital devices including mobile telephones and games machines helped ARM Holdings, the UK-based semiconductor design group, report strong maiden full-year results. Profits more than doubled. Page 24

investors fret over Czech upheavais Foreign investors are starting to worry about the new Czech government's attitude towards the corporate sector, which has carried out a series of board changes in majority state-owned - but publicly quoted - companies. Page 22

Tanzania mining tipped as rising star Tanzania is being tipped as the rising star of drican mining. Presently 13th in the contin production league table, consultant David Williamson, speaking at the investing in African Mining conference, said he expected it to shoot up the rankings. Commodities, Page 28

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CROSSWORD, Page 28

MARKET STATISTICS

Bond prices and yields Commodides prices Dayslands ambounced, UK Eurobood prices

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Low commodity prices may not fully recover

World Bank fears difficulties for emerging economies

By Paul Solman in London

Global commodity prices may never fully recover from their historic lows of the past 18 months - with far-reaching consequences for emerging economies, according to the World Bank.

The drop in prices, which has seen some commodities trading at a third of their levels of four years ago. temmed more from improved technology and policy changes in producing countries than from falling demand in Asia. the bank said in the first of a series of reports called "Global Commodity Markets".

Commodity prices were already on their way down When the Asian crisis hit in mid-1997, said Donald Mitchell, senior economist at the World Bank. "Asia just accelerated the speed of the decline and made the prices fall further."
The World Bank's food price

time the Asian crisis began. Its index of metals and minerals prices peaked in August 1995 and had fallen 11 per cent by June 1997. All commodities sectors

have been affected, from agri-

dropped about 65 per cent from its level in 1995, and base metals such as nickel and copper are 50 per cent lower. Sub-Saharan Africa was likely to bear the brunt of the damage from lower commodity prices, Mr Mitchell said, because three-quarters of its

export revenues depended on Lower oil prices would continue to take their toll on Middle Eastern producers. Latin America also stood to lose because about a third of its export revenue came from commodities exports, Mr Mitchell said.

Asia would take less of a hit index peaked in April 1996 and because it was more of a con-

had fallen 12.7 per cent by the sumer and importer than raw materials.

High prices in the early 1990s encouraged higher production, while new technology and liberalisation in producing countries helped cut costs and culture to metals. Rubber increase supplies.

"The effect can be most easily identified in base metals, where prices have dropped sharply but companies have continued to increase produc-

tion," said Mr Mitchell The World Bank said refine ments to oil extraction techniques had cut costs, while three-dimensional computer seismology and new drilling methods had made it easier to locate oil reserves.

Oil prices hit a 12-year low of less than \$10 a barrel last year on the back of fears about global supply levels. Eighteen months ago they were about



Alaskan oli: improved technology has opened up new fields

Alphatec rescue points way for Thailand

Creditors of Alphatec Electronics, the troubled Thai semiconductor company, yesterday approved a court-supervised debt restructuring plan to save the company from liquldation. The deal, the first of its kind in Thailand, will provide momentum for broader corporate restructuring.

The plan, devised by PwC, the global professional services group, will see the company's operations taken over by the direct investment arm of American International Group, company, valued at \$10m, pany almost wiped out. Court- objections from state-owned

Investor AB of Sweden. Together they will buy an 80 per cent stake in the company for \$40m.

Holders of Alphatec's \$363m unpaid commercial debt, including foreign banks Credit Agricole Indosuez, ING Bank and Sumitomo and domestic banks Krung Thai and Bangkok Bank, are expected to recover between 12 per cent and 30 per cent of their outstanding loans.

The creditors will hold the remaining 20 per cent of the

the US insurance group, and receive new secured debt val- supervised business reorgani- Krung Thai to an earlier interest bearing performance obligation of up to \$55m.

They will also receive any funds recovered from former management, led by Charn Uswachoke, former chief executive officer and shareholder, who is alleged to have taken Bt10bn (\$270m) in "improper transactions".

Mr Charn, a senator who has lead the fight against amendments to Thailand's bankruptcy and foreclosure laws, will have his stake in the com-

ued at \$35m and have a non-sation is a new procedure in Thailand and Alphatec was seen as a test case for the ability of creditors to take charge of the rehabilitation of an insolvent but potentially prof-

itable company. "This is a process that can work," said John Perrins, a PwC partner who led the restructuring plan. "Once it gets under way it becomes very much a creditor-driven

Approval comes after

scheme. Krung Thai had feared that stripping Alphatec of its assets for the benefit of new investors would hurt its ability to pursue claims against Mr Charn. It was also reluctant to realise the write offs the plan entails. The revised plan allowed for

the actual write-off to be delayed pursuant to further recoveries from Mr Charn and changed the structure of the deal to "make the creditors more comfortable" in their months of delay caused by pursuit of those recoveries,

investment opportunities in France, Scandinavia, the

Netherlands and Germany. The group aims to spend about a quarter of the fund outside the UK, where it will work directly with local activ-

Mr Myerson said the atmosphere in the UK had changed as investors realised that "unless you act like an owner, you are treated like a tenant". The group will build up stakes in target companies over the coming months. Over the past year, it has forced

majority interest in John

Preussag to raise \$1.1bn for tourism strategy

By Tony Berber in Frankfurt

Preussag, the German leisure. travel and industrial group, is to raise about DM2bn (€1bn, \$1.1bn) for its rapidly expanding tourism interests, which have replaced steel, coal and engineering as the conglomerate's core activity.

Analysts said the move underlined Preussag's determination to press ahead with its conversion from heavy industry to tourism and services. The company is to ask share-

Beware of a stronger yen. The appreciation of the Japanese

development and this year the

forecasts range anywhere between 100 and 145 to the US

dollar (yesterday the actual

The Japanese authorities

12 that 108 was their

widen still further.

eemed to signal on January

intervention point.
But anything could happen

The Davos meeting of the

indicated little unity between

the Americans, the Europeans

The first assumption is that

a weak economy should have a

indeed the fate that has begun

to afflict the euro as the core

lose momentum. However last

year the yen proved to be the

currency despite a fall of some

account surplus of \$120bn for

1998 could rise towards \$150bn

economies of the euro-zone

world's strongest major

domestic product.

weaken the yen.

3 per cent in Japan's gross

The Japanese current

this year. Only continued strong capital outflows could

For a while, rock bottom

bond yields and foreign exchange liberalisation moves

encouraged private capital to

Now, however, the Japanese

government appears determined to finance the bulk

soft exchange rate. That is

and the Japanese about the

way to tackle the global economic crisis.

as global trade imbalances

World Economic Forum

rate was 112).

currency was last year's

surprise foreign exchange

BARRY RILEY

holders next month for permission to issue new shares and a convertible bond from capital authorised but not used. investors marked down Preussag's share price by 5 per

cent after the news, implying a dilution of the value of existing shares. But company analysts said Preussag's aunouncement made sense in view of the group's ambitions to exploit the growing European tourism market

Preussag agreed in December to take over Germany's expand into France and the but it was possible Preussag

Yen still able to surprise

of its huge fiscal deficit

market. The 10-year

through the domestic bond

to 2.8 per cent yesterday.

government bond yield jumped

The popular American view is that the Japanese must

inflate their way out of their

the eventual solution. But it

resistance of a fast-egeing society to the destruction of

economy remains precarious.

According to the Americans,

they are the heroes who are

sacrificing their credit card

limits in the cause of growth. You could also argue.

however, that they are sucking

up other people's capital and

It is tempting to compare

economic boom, after growth

Japanese bubble economy in

At that time Japan was

considered to be unstoppable.

But the yen began to weaken

in the first half of 1989 (from

125 to 149 to the US dollar) and

short-term interest rates were

raised progressively, from 4.5

Now, of course, the US

Americans are becoming

of developing economies,

economy is unstoppable too.

complacent about the collapse

however dire the news from

Brazil. If China is the next

domino to fall, or the oil

producers suffer financial

to 7 per cent.

of more than 4 per cent in 1998,

underpaying for imported

this late stage of the US

with the tail-end of the

fails to recognise the

savings. Meanwhile the global

problems. This may indeed be

biggest chain of travel agents, First Reisebüro, and to buy a zel, Preussag's chairman, said: 50.1 per cent stake in Thomas Cook, the UK travel and finan-

cial services company. Preussag started its switch into tourism in September 1997 with the acquisition of Hapag-Lloyd, the German transport and tourism group. It has quickly built up a market share of between 15 and 25 per cent in Germany, the UK, the Benelux and Switzerland, and is now thought to want to

collapse, who really cares?

Wall Street's practitioners

short term, the emerging

market instability simply

economy. The bubble is

further inflated.

market may now be

pressure on corporate

channels more capital back into the safety of the US

The final stage of the bull

encouraged by the unexpected

strength of the US economy. This should relax some of the

We don't yet see, after all,

the persistent general weakness of the dollar that

might signal the end of the

game, Indeed, the euro is the

oressure, having fallen from

\$1.18 to \$1.13 in a month.

From most viewpoints

haven. But, according to CrossBorder Capital, which

around the world, the dollar

must still appear to be a safe

tracks global liquidity flows,

the Japanese government will

have to buy foreign currencies

than \$100bn to restrain the yen

This will give the Japanese

government political leverage

over Washington. Meanwhile

private sector repatriation of

Japan is likely to be seasonally

bunched ahead of the March 31

For those who assume the

foreign currency assets to

this year to the tune of more

at about 100 to the dollar.

currency most obviously under

have understood that, in the

Mediterranean, Michael Fren-"Our new strategic direction is making a lasting improvement to the quality of the group's

results. In line with its move away from heavy industry, Preussag is considering the sale of parts of its plant construction unit and its shipyards business to the German engineering firm Deutsche Babcock. Babcock said the size of the acquisitions remained to be decided,

might buy a stake in Babcock if the deal went ahead. Giving its results for the fis-

cal year ended September 30, Preussag announced record group consolidated profits of DM539m, up from DM397m in 1996-97. Group return on equity in 1997-98 rose to an impressive 33 per cent from 23.7 per cent a year earlier.

Preussag said it expected 1998-99 group sales to rise to more than DM40bn, more than 13 per cent higher than the

change at several UK com-panies including Kenwood. Active Value also holds a

Mansfield, the takeover vehicle run by Stuart Wallis, which is understood to be on the prowl 1997-98 turnover of DM35.2bn. | for companies to turn around.

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Bouds, Page 26

yen will be weak, it could prove a tricky year.

Currencies, Page 27

financial year-end.

AIRLINES

KLM maintains outlook despite fall in quarter

KLM, the Dutch airline, stuck to its full-year profits outlook yesterday despite a third-quarter loss blamed on an industry-wide slump and the after-effects of a strike at Northwest Airlines, its US partner. The carrier swung to a net loss of FI 29m (€13.2m, \$14.9m) in the October-December period - largely in line with analysts' expectations - from a profit of FI 46m a year before.

KLM said yields had fallen owing to global economic ess and the fact that many airlines had transferred flights to the North Atlantic following financial turmoil in Asia. Nonetheless, the airline said it was maintaining its per-share earnings forecast of between FI 6.50 and FI 7 for the 1998-99 year. Shares in KLM ended unchanged at €24.30. Jeremy Gray, Amsterda

ITALY

Pirelli advances 16%

Pirelli, the Italian tyre and cables group, yesterday reported a 16 per cent rise in 1998 pre-tax profits to L795bn (€411m, \$464m) on a 5.5 per cent fall in consolidated sales to L10,647bn. The company said operating profits rose 5.3 per cent to L800bn following improved productivity and cost-cuts. Paul Betts. Milan

SWITZERLAND

Baer raises dividend

Julius Baer Group, Switzerland's biggest independently quoted private bank, said yesterday it was raising its dividend by a third - to SFr69 a bearer share - following a 28 per cent rise in 1998 pre-tax profits to SFr370m (\$260m). its 16 per cent rise in assets under management, to SFr93.8bn, will be seen as the benchmark against which the private banking divisions of UBS and Credit Suisse will be measured. William Hall, Zurich

GERMANY

Stinnes co-ordinators named

Veba. the Düsseldorf industrial conglomerate, has appointed Drescher Kleinwort Benson and Warburg Dillon Read joint global co-ordinators for the initial public offering planned for its Stinnes logistics arm in the second quarter of this year. Analysts say it could have a value of about DM3bn (€1.5bn, \$1.7bn). Ralph Atkins, Bonn

INVESTMENT BANKING

Lehman appointment

Lehman Brothers, the US investment bank, has recruited John St John as global co-head of equity capital markets. He is moving from Salomon Smith Barney, where Michael Lavelle was yesterday promoted to replace him as head of European equity capital markets. Clay Harris

CERAMICS SWISS-OWNED KERAMIC LAUFEN EYES DEAL WITH FINLAND'S SANITEC TO CREATE EUROPE'S BIGGEST GROUP IN THE INDUSTRY

Sanitary ware producers consider link

By William Hall in Zurich and Tim Burt in Stockholm

Keramic Laufen, Europe's second biggest sanitary ware manufacturer, and Sanitec, one of its main rivals, are understood to be exploring the possibility of a cross-border merger which would create Europe's biggest com-

Sanitec, part of Finland's Laufen, a family-controlled

Armitage Shanks, the UK's leading bathroom ceramics company, which was yesterday sold to American Standard for £253m (\$415m).

Many analysts expect that

the sale of Armitage Shanks will be followed by rapid consolidation in the rest of Europe's sanitary ware industry, which has been suffering from excess capac-Metra Group, and Keramic ity and low margins. In mid-1996 Keramic Laufen came Swiss company, were both close to merging with

interested in bidding for Sphinz, a loss-making Dutch downs on its Brazilian operacompetitor, but the deal collanced at the last moment. Since then Keramic Laufen has posted heavy losses,

and a new management has restructured the company. It has sold its heavy clay division, re-organised the tiles business and is focusing on its core business of sanitary year, has refused to com-However, the group's

promised return to profitability has been delayed by the need to make hig write- it was evaluating various cent, saw operating profits own feet."

tion and the collapse of alliances and strengthening demand in Asia and Russia. It recently announced that it would lose \$Fr150m (\$105.4m) in 1998, following a SFr170m loss in 1997.

Keramic Laufen, whose shares have fallen by nearly a third since the start of the ment on the possibility of a merger with one of its strongest competitors. However, it said a few weeks ago that

its capital base, in consultation with leading shareholders. It wants to maintain its global presence, particularly in Europe and South America markets. In 1997 it had

sales of SFr1.1bn Metra, Sanitec's Finnish parent company, has made no secret of its ambition to expand its bathroom ceramics arm. The subsidiary. boasting margins of 14 per

options, including strategic rise from FM273m FM302m (€50.8m, \$57.4m) in the first nine months of last year, while sales rose 15 per cent from FM1.94bn to FM2.23bp.

Georg Ehrnrooth, Metra chief executive, said Sanitec was the most profit. able business of its kind in Europe and had become one of the world's largest santtary ware companies. "It has reached a position where the company could stand on its

French banks to target Japan after merger

By Gillian Tett in Tokyo

Paribas and Société Générale hope to seize a dominant position in the business of selling euro products into Japan as a result of their planned merger, their senior management said vesterday. Speaking in Tokyo, Jac-

ques Bouhet, global deputy chief executive of SocGen, said: "In any business what matters is critical mass - to be a global player you have to be in the top two or three in your home territory. We should be one of the top players in the euro bond and equity markets (as a result of the merger)."

Yusuke Yasuda, head of the Paribas operation in Tokyo added: "Our strength is the euro. We have seen great interest in euro-denominated products and this merger is going to reinforce our existing strengths."

The business of selling euro-products into Japan is likely to attract fierce competition in the coming months, since the country has the largest pool of savings in the world.

Although Japanese investors have been relatively slow to move into euro products so far, interest in the ritles last year. euro is growing steadily.

tial growth in this Japanese market would allow them to avoid job reductions in their operations.

Mr Bouhet said: "One of the beauties of this merger is that there are few redundancies. We are in different business areas.'

Mr Yasuda added: "I do not see any immediate reductions - we both have different fields of operations. Japan is a good example of this." This stance could poten-

tially leave the two banks as one of the larger foreign investment banks operating in Tokyo. The two banks employ about 500 staff each. Neither of the two banks is considered one of the big foreign groups in the overall

financial markets in Japan. compared with groups such as Goldman Sachs or Merrill Lynch. However, Paribas has a strong position in the Japa-

nese government bond mar-

ket. Meanwhile. SocGen has been rapidly building up its asset management operations, after purchasing the asset operations of the failed broker Yamaichi Secu-

And the two banks yester See Lax, Page 164 ---

Italians pressed to consolidate

The Italian banking industry was yesterday under increasing pressure to consolidate following this week's merger of Société Générale and Pari-

Banking analysts expect a frenzy of top-level meetings in the next few days that could step up the pace of consolidation, with Banca Commerciale Italiana (BCI). after years of dithering, in the lead role.

"The world is moving at an ever-increasing rate, but Italy is displaying some stickiness in this process, said Lucio Rondelli, chairman of UniCredito Italiano, the Milan-based banking group, recently formed through the merger of Credito Italiano and three large north Italian regional banks.

The last two years have en unprecedented merger activity in Italy's fragmented banking industry that has led to a series of significant banking integrations. These include Intesa, the group combining the Cariplo

respectively of Paribas and Three hundred UK-based SG, will move on to managers of Paribas and Frankfurt tomorrow and Société Générale will be briefed tonight by the Zurich and Geneva on Friday. The banks said on French banks' chairme Monday any mandatory job about the €15bn (\$17bn) losses would come from

akeover deal announced on Monday, writes Clay Harris. After their visit to London, André Lévy-Lang and Daniel Bouton, heads

these work in the UK. bas merger will create a savings bank and Banco Ambroveneto: San Paolo-IML which brought together Italy's largest commercial bank with the IMI investment bank in a smaller Italian version of this week's

UniCredito Italiano. "The Italian mergers completed so far were regarded until this week as a viable, if temporary, solution to the growing globalisation of the industry. But they have already been overtaken by events and Italian banks will be forced to seek even bigger alliances," said one Milan banking analyst.

The Société Générale-Pari-

French banking merger, and

group with total assets of nearly €680bn. By comparison, the three large Italian banking mergers have created groups each with total assets of barely €200bn. The French merger has

among the 35,000 staff

France, More than 4,100 of

they employ outside

again put the spotlight on the protracted merger efforts of BCI and Banca di Roma. Mediobanca, the Milan investment bank, has been pressing the two groups to combine to safeguard its Deutsche Bank with 4.5 per own future and shareholding structure. Both BCI and Banca di Roma each hold 8 per cent stakes in Mediohanca. BCI's board is due to

has also eyed expansion through a deal with BCL while UniCredito, which also owns 8 per cent of Mediobanca, is likely to return to the fray in an attempt to compete against the new enlarged European banks.

The Italian monetary authorities have also contin ued to encourage consolidation of the banking sector and have become increasingly open to foreign invest ment in Italian banks. Crédit Agricole of France is now the largest single shareholder of Banca Intesa with 26 per cent. Banco di Bilbao is the largest single shareholder in the recently privatised Banca Nazionale del

Lavoro with 10 per cent. RCI itself has several important foreign sharehold ers, including Commerzbank of Germany with 5 per cent, cent and Paribas with 4 per cent. Rolf Breuer, chairman of Deutsche Bank, said this week he considered BCI as potentially "an excellent

PROFILE

Tractebel chief eyes footing

Baron Philippe Bodson is on vacation in the Himalayas. But it might as well be a for a fifth of first-half profits heavy training session, as last year. the vigorous, flamboyant So why is Gérard Mestral-

According to Belgian media speculation, Mr Bod- ity and ambition. son faces attempts to oust him from his role as chief executive of Tractebel by the Belgian energy group's companies refuse to comment, but analysts - and the Belgian government - take

the rumours seriously. Outsiders might find that surprising. Mr Bodson has an enviable record. In his 10 years at Tractebel, turnover has nearly doubled from BFr205bn (€5.08bn, \$5.7bn) to BFr388bn (€9.62bn, \$10.9bn). as it has evolved from ragbag holding company into fast-growing energy group and the world's third biggest independent power producer.

Tractebel's shares have gained 110 per cent since January 1998, outperforming the European utilities sector by 79 per cent. Suez Lyonnaise, which

owns 50.3 per cent of Tractebel via its wholly owned Belgian holding company,

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(100,000 will be (1,449.48 29th April 1999.

BARCLAYS

mary 1999 to 29th April 1999

Société Générale de Belgique, has reason to be pleased. Its energy division, mainly Tractebel, accounted

businessman may have a let, Suez chief executive. climb when he returns to Mr Bodson out? Analysts suggest Mr Bodson is partly a victim of his own personal-

He stands in the way of Mr Mestrallet's plans to complete the evolution of the former holding company, Commajority shareholder, Suez pagnie de Suez, following its Lyonnaise des Eaux. Both merger with Lyonnaise des Eaux in 1997, into an inte-

grated "multi-utility" group. Mr Bodson is described as an "ideas man, not a details man" by one analyst - but with a gift for motivating people. Most importantly, and irritatingly for Suez, Mr Bodson does things his way. He has fiercely defended his independence from domi-

nant shareholders at Tractebel and elsewhere. He has never got on well with his latest chairman, Mr Mestrallet. The more understated énarque, or graduate of France's elite Ecole Nationale d'Administration, ran bel to below 50 per cent. Société Générale de Belgique for Suez in the early 1990s

before heading Suez itself. The flashpoint between the two is Mr Bodson's blocking even a feasibility dream of merging Tractebel



with its 40 per cent-owned subsidiaries Electrabel and Distrigaz, Belgium's electricity and gas monopolies, to create an energy super-

Analysts sav the idea makes industrial sense, allowing Electrabel's €1bn-ayear cash flow to be channelled into accelerating Tractebel's overseas expansion. But they suspect Mr Bodson has a further motive: diluting Suez Lyonnaise's stake in an enlarged Tracte-

Suez evidently shares those suspicions, remaining publicly lukewarm about a extended a deadline before merger, while privately study. It has not gone unre-

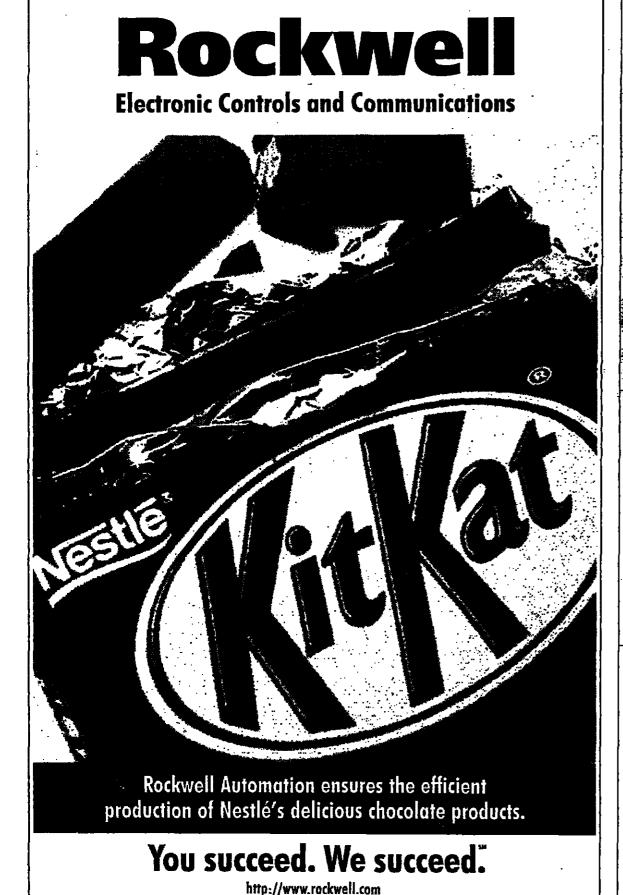
that Mr Bodson's departure would probably hit Tractebel's share price - making it cheaper for Suez to achieve what some believe is its ultimate aim of buying the rest of the Belgian group. But has simply run out of patience with his recalcitrant chief executive.

"Suez may feel they don't need to take over Tractebel if they can remove Mr Bodson," says one analyst.

The speculation around Mr Bodson has sparked concern in the Belgian government. Jean-Pol Poncelet, energy minister, called last month for the strengthening of Belgian laws implementing EU moves to liberalise Europe's electricity market, to protect

domestic interests. Some believe Suez may demand Mr Bodson's head as the price for a broader compromise with the government, committing Suez to heavy investment to develop Tractebel as its Belgian-

based "energy pole" Such a deal could stifle any backlash from minority shareholders. One who had demanded an emergency board meeting to confirm Mr Bodson in place yesterday attempting legal action. Mr Bodson may start to wish he had stayed in the Himalayas.



In 1998, SiMCO The board of directors met on 27 January 1999 to review the activities of 1998, to assess the trends for the coming months and to consider the forecasts for 1999. The meeting t the positive impact In terms of value, the real estate assets of the SIMCO group registered the first effects of investors renewed interest in real estate. The value of the buildings owned by the SIMCO group, as estimated by an independant expert at 31 December 1998, was set at RFF 15.17 billion (2.31 billion euros), compared with SFE 14.28 billion (2.55 billion euros).

control of CIPM The new entity, resulting from the merger at the end of December 1997, enjoyed favourable conditions for its first year of activity, both internally and externally.

 The change in the overall economic situal Intercoupe in the overall economic small opener-fitted the property market in general and the rental sector in particular, both in terms of space let and rising

 The group's operational tools, both in LT, and in the commercial field through LOCARE, which SIMCO took over at the end of 1998, made it possible to achieve the heart for account of the control of the co hoped-for economies of scale and very satisfactors operating performance, within the fi em of asset management.

- 1,862 relets

increase in rents on reletting. financial occupation rate as at 31,12.98____96.70 % Commercial property

28,800 m² net relet rents stabilised and rose financial occupation rate as at 31.12.58 _____95.30 %

316 apartments sold for FRF 166 million (25 million euros) The first indications are that the results for 1998

Annual results: 31 March 1999 General meeting

resulted from the merger with CIPM.

Forthcoming events:

with FRF 14.78 billion (2.25 billion puros) at 1997, on the basis of the stamp duty in lorce. The restated asset value amounts to FRF 652

199.4 euros) per share, before tax, compared with FRF 636 (97 euros) per share at 31 December 1997 (+ 2.5%) based on the provisional accounts at

SIMCO shares are back in favour on the stock market.

At the end of 1998 SIMCO shares were tracking at FRF 507

(77.3 euros), up 25% over December 1997, and since the CAC 40.

Finally, SIMCO's market is moving in the right direction, both in residential and commercial property, and the company looks set to perform even better in 1000 children in the company looks set to perform even better in 1000 children in the company looks set to perform even better in 1000 children in the company looks set to perform even better in 1000 children in the company looks set to perform even better in 1000 children in the company looks set to perform even better in 1000 children in the company looks set to perform even better in 1000 children in the company looks set to perform even better in 1000 children in the company looks set to perform even better in 1000 children in the company looks set to perform even better in 1000 children in the company looks set to perform even better in 1000 children in the company looks set to perform even better in 1000 children in the company looks set to perform even better in 1000 children in the company looks set to perform even better in 1000 children in the company looks set to perform even better in 1000 children in the company looks set to perform even better in 1000 children in the company looks set to perform even better in 1000 children in the children in th

in 1999, thanks to the organisation and tools which have

will be in accordance with the trends for the first six months, which bodes well for the whole year, and will streng-

RIGGEST GROUP IN THE REPORTER ler link-up

WEINESDAY FERRUARY ARY A Day

Mind Mindle Affect of Security Street of Mindle nich minth Affect server and and and a find elling. Miller a Parentus promise County of the special control of the speci Birthianine tentelige gitt mit beim bei eine gift

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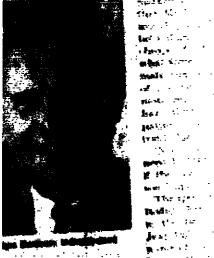
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All investment banks say they do the same things. One does them differently. Warburg Dillon Read has a global mandate, yet our thinking is a world apart from standardized, rigid and restrictive. In local markets, we have local knowledge. In global markets, we offer global resources. No firm can commit more. You'll also find us more individual, more innovative; in fact, the more intelligent choice.

* Warburg Dillon Read

Strong debut by Perot Systems

on hand at the New York share, on revenues of

\$742.2m.

Brazil lurches as bank president resigns

By John Barham in São Paulo

Stability in Brazil may have become more elusive yesterday after the central bank president resigned after less than three weeks in office. but companies are recovering from the shock of the real's collapse in January and coming to grips with the

At first, every company that could simply froze busi- coffee brands. The coffee ness, as volatile markets companies wanted prices made it impossible to decide on the price for items ranging from luxury imported cars to frozen chickens.

Now, companies need to replenish their diminishing stocks and have started to

in Mexico City

can retailers.

cent drop.

1 per cent.

Anyone wondering whether

for powerful proof that con-

sumers are feeling the

of a dietary staple as torti-

the sector most vulnerable

to consumer whims - Mexi-

that the holiday season was

not very merry. Retail sales

according to the Mexican

retailers association. Super-

market sales dropped 2.2 per

led the fall with a 3.7 per

While analysts are confi-

dent that Mexico's listed

ing. Cifra, the department

store chain, announced dis-

appointing December sales.

forcing Salomon Smith Barnev to downgrade estimates

Fellow retailer Soriana fol-

with December same-store

A drop in demand for the

Retailers hit

by slowdown

the economic slowdown has says Jorge Mariscal, chief

hit Mexico need only look at Latin American strategist

the decline in tequila sales for Goldman Sachs in New

fiery drink, almost as much the Mexican bank, actively

llas, does not bode well for using cards during the

With fourth-quarter up, December loans shrunk

results just around the cor- to below September volumes ner, there are already signs and are down year over year.

York.

in Mexico

payment terms with suppli- Some prices will go up ers. Suppliers are attempting to pass on as much of their increased costs as possible. while buyers try to limit price increases. France's Carrefour, Bra-

zil's biggest retailer with 59 supermarkets, said last week it would not accept "unjustified" price increases. So far the only products Carrefour has banned are two leading increases of up to 44 per cent, arguing that coffee is a commodity priced in dollars. The retailer's other suppli-

ers have got the message. A Carrefour official said: "Negotiations are proceeding negotiate new prices and on a case-by-case basis, policy,

difference now. We're living

in a different world and

going into the new year

results will be much worse,"

Credit card loans are a

good indication of future

retail prospects. Bancomer,

discouraged customers from

heaviest shopping season of

the year. At a time when

credit card loans are usually

At the same time. Mexi-

because [of devaluation] but stronger position than othcompanies have to justify ers. André Paes, an invest-the increases." He said ment analyst at BBA Capi-Carrefour would only agree to pay more after it has pored over a detailed breakdown of the supplier's production costs.

Large groups such as Carrefour, which had revenues of R\$5.5bn (\$2.8bn) in Brazil in 1997, have the upper hand over a fragmented supplier base. Although the real has depreciated sharply, companies can still switch to foreign suppliers if necessary. Imports will limit the scope for price rises as long as Brazil maintains an open trade

who made a splash as a US

Presidential candidate in

1992, threw his hat into the

stock-market ring yesterday

with the launch of shares in

Despite a down day on

100 points in early trading.

investors scrambled to buy

the new shares. The Dallas-

based company, which speci-

alises in information tech-

nology services, issued 6.5m

shares at a price of \$16. The

shares shot up, gaining more

than 150 per cent to \$411/2 in

Jones Industrial Average off shares.

Perot Systems.

Some industries are in a nies were fully hedged. tal, a São Paulo asset manager, says steel is well positioned to impose higher prices now that imports bave become more expen-

Companies are tightening credit control, particularly since devaluation makes analysing credit risk all the barder. Suppliers cannot be entirely sure about the impact of devaluation on cli-ents' balance sheets, threatening their ability to pay. Although corporate Brazil is not excessively leveraged and was well prepared for devaluation, not all compa-

is said to exceed \$3bn, was

Perot Systems in 1988 and

serves as chairman and chief

executive. Yesterday's offer-

ing leaves Mr Perot -

believed to have spent \$80m

aspirations - with 38 per

of his own on his political

Perot Systems is one of the

leading providers of out-

sourced high-tech consulting

services with clients in the

financial, energy and health-

care sectors. Its largest cli-

ents include UBS, which

accounts for 25 per cent of

revenues, and East Midlands

Businesses are reassessing broader issues such as age in December increased egy. Mid-range brands began cut 1999 net profit by 20 per gaining ground from pricier cent for some steel compapremium brands as Brazil began slowing down last year. This trend may accelerate as the country begins sinking into a deep reces-

sion. Managers must soon decide whether it is preferable to sacrifice margins and retain access to favoured clients, or whether the time has come to force prices up, even at the cost of a smaller share of a shrinking market. Growing tax burdens are already pressurising profits,

reached \$28.2m, or 29 cents a

The successful launch of

Perot Systems and of a num-

ber of other non-technology

IPOs bodes well for the IPO

market. "The type of indus-

tries [offering shares] is

spreading to include cyclical

companies as well as those

in technology, and it's a

reflection that the market is

still doing very well," said

Later this week Delphi

Automotive Systems, the

and largest car parts manu-

tor at IPO Value Monitor.

Executives will have a clearer notion of how to set tle many of these issues as financial markets settle haps the most important nies would welcome a return per cent in 1999, but a combirency, rising taxes and higher operating costs will companies. Bozano Simon- steady.

nies, breweries and utilities. down and economic indices are released. Inflation is per indicator of all. Few compato inflation, forecast at 10-30 nation of a declining curespecially for more indebted make it harder to hold prices HEDGE FUND NOBEL LAUREATE STEPS DOWN

Scholes quits partnership

in How York.

One of the two Nobel prize-winners behind Long-Term Capital Management, the US hedge fund whose near-collapse last autumn shook world financial markets, has resigned his partnership at the

Myron Scholes, whose name graces the options pricing theory that lies at the heart of the modern derivatives markets, said that he was leaving the fund to move to California - a step he had been planning for a

The presence of Mr Scholes and fellow Nobel claims to being one of the matters." most sophisticated traders

in the derivatives markets. Wall Street's confidence in the fund's financial expertise tions in the financial markets, adding to the potential partner. damage that it would have caused had it gone into liqui-

Like other LTCM partners, Mr Scholes has seen the huge profits he made in the fund's early years largely evaporate.

The partners had a com-

profits they had made since the LTCM was set up in 1994. but some also borrowed heavily to increase their

In a statement explaining his decision to leave, Mr Scholes said that he had delayed his plan to move to California last summer after the fund got into diffi-

culties. "This move is possible now that LTCM's fund has stabilised," he added.

Mr Scholes said he had cisco last summer, ahead of his marriage in October, and had planned to spend "a great deal of my time there, laureate Merton Miller and my own children, while among LTCM's 16 partners still devoting a majority of lent weight to the fund's my efforts to LTCM

Along with William Krasker, another partner who stepped down yesterday, Mr Scholes' investment will enabled it to take vast posi- remain in the fund, and he will remain a limited

> Mr Krasker was part of the bond arbitrage team that left Salomon Brothers to found LTCM along with John Meriwether, Salomon's former top bond trader.

Mr Scholes is co-author of the Black-Scholes pricing model, which is widely used bined \$1.9bn stake in the to value options and other

early afternoon trading. Electricity. For the first 9 deal set to raise \$1.6bn. by the government of Singa-\$4.7bn fund at the end of derivatives with option-like months of 1998 net income Another deal due this week pore. Sprint shares tumble as operating losses climb

facturer in the US, is expec- is Pacific Internet, the inter-

ted to launch shares in a net service provider owned

division of General Motors shares pained 150 per cent

cans are watching their for December declined 2.5 incomes contract. A 14 per per cent vear-on-vear, cent increase in minimum wages last November has been negated by recent price rises in public transport, petcent while department stores rol and basic foodstuffs, government regulated price caps on tortillas.

retailers will end the quarter consumer and going into the \$849m in the final months of build new networks and its on a positive note, with earn- new year they will be very ings partially buoyed by a cautious - the fact that the year to \$2.39bn. strong currency, initial sales banks are saying 'don't use pretty powerful message, says Susan Gilbertson, chief Latin American strategist with Parihas in New York. In a recent survey by poll-

for fourth-quarter sales ster AC Nielsen, four of five growth from 5 per cent to Mexican homes believe the peso will be heavily devalued this year and inflation lowed the downward spiral, will reach at least 30 per cent. Lower consumer expecsales inching up 0.3 per cent tations, combined with over last year. That com- higher estimated unemploypares with year-on-year year ment this year, will have a sales growth of 7.4 per cent direct effect on economic for the second quarter of growth, say private economists, who have scaled back Consumers, meanwhile.

continue to be battered by 1.5 per cent for 1999. Analysts predict the downhigh interest rates, a weaker currency and double-digit ward trend should bottom inflation, spurred by conout by the second quarter of the year, when consumers "The world is a very different place after the [Brazil- interest rates come down. ianl devaluation, and while Along with retailers, banks, in general the fourth quarter steel manufacturers and conhad very good momentum, I struction companies are

don't think it will make any expected to be hard hit.

Lloyds Brazil Asset Management SICAV

1. rue Schiller, L-2519 Luxembourg

R.C. Luxembourg Nº B 56223

Notice is hereby given to the Shareholders that an Extraordinary General Meeting of Shareholders of LLOYDS BRAZIL ASSET MANAGEMENT SICAV will be held at the registered office in Luxembourg. 1. rue Schiller, on 25 February at 11 a.m. with the following agenda.

There exists among the Sturcholders and all those who may become the form of a societé amonym qualifying as société d'investissement à capital variables under the name of allowds American Asset Management SICAVs.

Article S. aliméa 2 is modified as follows:

Article 10, 1st scattened is modified as follows:

The annual general meeting of Shareholders shall be held, in accordance with Luxembourg Law, at the registered office of the Company, or at such other place in Luxembourg as may be specified in the notice of meeting at 10 a.m., on the third Tuesday of November in

If there is a to be redeemed (pursuant to requests for redemption or conversion) on any Desiting Day more than five per cent of the number of Stares of the class concerned then a issue, the Directors may decide to reduce proportionally the redemption requests to such 55 level and to postpone the part of them which has not been redeemed for the next Desiting Day(s) provided that such postponed requests will be given priority over subsequent requests.

Article 25, offices 1, 1" scanner is modified as follows:

The accounting year of the Company shall begin on the 1" June of each rear and shall terminate on the 31" May of the next year.

These resolutions will require a quorant of one half of the outstanding haves and will be adopted if voted by a majority of two thirds of the shareholders present or represented at the Estimordizary General Meeting.

II - Modification of the composition of the Board of Directors Acknowledgement of the resignation of Mr Leonard Plant and McRobert aschools from the Board of Directors and granting them discharge;

Election of Mr Roy Gillson as now Director of the Board for a period of six years;

We would like to remind you that in the event you disagree with the charge a fee accustance, you have the right to redeem your shares free of charge.

These resolutions will require no quorum and will be adopted if voted by a majority of the Shareholders present or represented at the Extraordinary General Meeting.

Brazil International Fixed Income Fund from 1,75% to 2,5%.

wail Equity Fund from 2,50% to 3,50%, and

Brazil Privatization Equity Fund from 2,50% to 3,50%

Increase of the manatement fee of

By order of the Board of Directors

Ratification of the nomination of Mr Peter Philips and Mr Colid Inchell as new Directors of the Board for a period of six years.

1.- Modification of the Articles of Incorporation

The minimum capital of the Company is the equi-the United States (USO) of fifty rullion france has \$0.000,000...) or such other amount that may be Luxembourg Law.

Article 1, aliu6a 1, is modified as follow

cent, reflecting disappoint- stock" set up to follow the autumn, but called off the

Ross Perot. the Texas Stock Exchange to ring the

entrepreneur and billionaire opening bell. He founded

Wall Street, with the Dow cent of the outstanding

new national wireless network being built by the US long-distance carrier, fell including the removal of 10 per cent yesterday morning in New York as the company revealed that its oper-"It will be tough for the ating losses had climbed to

At the same time, Sprint's

ment on Wall Street that it fortunes of the company's offering amid the turmoil "has passed all expecta-\$1.23bn. had fallen short of earnings national wireless network, expectations.

Despite the share price declines, Sprint's shares performers among US telecom companies for some time, reflecting its plans to 1998, taking its total loss for potential as a takeover target in the fast-consolidating US telecoms industry.

have more than doubled since they were launched in November. The success in part reflects the popularity of wireless investments in the wake of Vodafone of the UK's agreement to buy Air-Touch, the biggest US wire-

had planned to sell a stake

less carrier, last month.

planned to go ahead with plans to raise \$500m from selling shares in the company, a move that would the growth of the service.

Ross Perot: his company's

of its lost ground later in the wireless company with a loss residential telephone ser-The long-distance carrier day and stood at \$29\} in of \$1.51 a share for the quar-vices and its joint venture early afternoon trading, a ter, on revenues of \$437m. with France Telecom and

that hit global financial mar- tions", said Bill Esrey. kets. It said yesterday it still Sprint chairman. It added 1.7m customers last year, 836,000 of them in the final quarter of the year, leaving share, below expectations. it with 2.59m in all. The cost help it to continue to finance of acquiring those customers, and the continued build-Springt PCS recovered some out of its network, left the development of high-speed

Sprint's traditional operations posted an 11 per

cent increase in earnings in the fourth quarter, to \$3.41 a That reflected the heavy

GOODYEAR-SUMITOMO DEAL

Goodyear gets a grip on Japanese market

The tyre deal, to be termed a global alliance between Goodyear Tire & Rubber and Sumitomo Rubber Industries, will be structured as GDP growth projections to six joint ventures around the

However the complex deal

Japanese company's US and are support ventures. European tyre interests and giving the US company a firm foothold in the Japanese market.

The total annual sales of the six joint-venture companies will be approximately \$4.6bn, adding about \$2.5bn to Goodyear's annual sales will result in Goodyear effec- of about \$12.5bm. Four of the tively taking a controlling joint ventures will be opera-

investment in most of the tional agreements and two force that lead. The Euro- of approximately 20 per cent. The North American joint

owned by Goodyear and will up of eight Sumitomo plants one for original equipment. comprise both of Sumitomo's and six Goodyear plants. US tyre plants. It will have sales of about \$800m. Goodyear is the largest North \$4bn and 25,000 staff. It will American tyre company make Goodyear the second with annual US sales of largest European tyre comapproximately \$6bn and the Sumitomo plants will rein-

pean joint venture will also be majority-controlled by venture will be majority. Goodyear, and will be made

This joint venture will have annual sales of about pany behind Michelin of

Goodyear/Sumitomo

Cooper Fire

Michelin

1997, (%)

Sumitomo, they will give a year. Goodyear a solid foothold in tyre market.

Cooper Ting

1997, (Sbin)

Bridgeston

Michelia

tures, both controlled by There are to be two Goodyear. Japanese joint ventures, one One will see the two com for replacement sales and

panies share research and development technology, While both are to be creating a unit that will majority controlled by spend approximately \$550m

The final venture is a purthe world's second largest chasing joint venture, controlled by Goodyear. This is

Where Asians fear to tread

John Griffiths examines the implications of the link for the global industry

the structure and economics of the global tyre industry just as surely as last year's Daimler-Benz and Chrysler alliance did for the vehicle makers on which the tyre industry is dependent for most of its business.

Goodyear will today announce what it will describe as a global strategic alliance with Sumitomo Rubber Industries, Japan's second-biggest tyre maker after Bridgestone, but which in are expected to produce total ence will give it control over virtually all Sumitomo's tyre operations except those based in Japan.

In a face-saving gesture to Sumitomo management in its domestic market, the deal will not be presented as a keep up technologically. takeover, in the same manner that Daimler-Benz and Chrysler was unveiled to the world as a merger of equals. But Goodyear's dominance in its new relationship with

emphatic.

Through the creation of six joint ventures which will add \$2.6bn of Sumitomo's \$4bn annual tyres sales to Goodyear's own \$12.5bn five of which will be 75 per cent owned by Goodyear . Goodyear will be breaking Sumitomo's efforts to free of its decade-long struggle with close rivals Michelin of France and Bridgestone to become the global colossus of the tyre industry.

For much of the past

decade the trio have each

t one stroke Goodyear in the industry's pecking Tire & Rubber is poised order shifting annually and to shift the goalposts for determined by even minor swings in exchange rates or individual markets.

But the deal has more sig-nificance than size alone. It will bring about a stepchange in terms of Goodvear's scale economies in distribution and purchasing, benefits to be felt equally by Sumitomo with its remaining \$1bn-plus of sales in

Pooled research and development and other synergies cost savings of around \$300m The sheer size of the alli-

ance's R&D spending, expected to be well over \$500m a year, will make it increasingly difficult for rivals to

Not least, it sets before the Akron, Ohio, group an industry holy grail sought long but hitherto fruitlessly by western tyre makers . large scale access, through Sumitomo will be even more Sumitomo, to the Japanese original equipment and the world's second largest.

Less importantly, it will herald the rebirth of Dunlop, bought by Sumitomo more than a decade ago, as a running to find partners or major brand in Europe own having signally failed. Dunlop will provide major new competition for Michelin, the region's undisputed market leader, from Sumi-

had tyre sales of around ufacturing plants. Goodyear equally - accounting for

\$12.5bn, their precise places and Sumitomo/Dunlop's almost \$40bn of the indus-

sales in western Europe stand at around \$2bn each. At a stroke, therefore, Goodyear will be in a position to challenge much more strongly Michelin's long-standing near stranglehold on the region. Its 30 per cent market lead-

ership has given Michelin enormous influence over the region's tyre distribution and retailing patterns, with none of its rivals having a share much over 12 per cent. The deal will provide Michelin with its first signif-

icant rival - a development that will sit well with the EU's regulatory authorities. The impact will be felt almost as strongly in North America, despite Goodyear's already clearly established market leadership and its

Sumitomo has two plants in North America, at Huntsville, Alabama, and Buffalo, New Jersey, together accounting for \$800m annual sales. They will add, according to industry estimates. some 5 percentage points to

market share. Just like the Daimlerreplacement tyre markets, Chrysler deal, the Goodyear-Sumitomo deal should herald a new round of concentration in the world tyre industry and send its rivals

supplant it with Sumitomo's however, there are far fewer obvious targets. The "big three" - Goodyear, Michelin and Bridge-

stone - collectively domi-

nate the sector. Their

Germany's Continental, takeover targets. Unlike the vehicles sector,

Goodyear's 30-plus per cent try's global estimated \$75bn ity for this second tier far investigating possibilities. turnover, The second-tier of players,

> Pirelli of Italy, until now Sumitomo, and Yokohama of on their own. Japan are smaller by an order of magnitude. Conti, fourth ranked in the world, has tyre sales little more than one-third that of the big three, at around \$4.4bn. sights. Pirelli and Yokohama are smaller yet, at around

\$3.5bn. The creation of Goodyear/ Sumitomo will make viabil-

more problematical, despite the latter's protestations of having developed strategies allowing them to succeeed

Yokohama, smaller than Sumitomo in total sales but with a greater proportion concentrated inside Japan. may already be in Michelin's While speculation that for-

mal talks are under way has rationalisation. been discounted, people close to the industry insist that the pair are mutually

Against these fundamental industry shifts Bridgestone, too, must look to expand its

global reach and is also understood to be probing acquisition possibilities. The Japanese tyre industry's profits have been savaged by the long slump in Japan's vehicle markets and collapsed consumer confi-

dence and it is ripe for

One of the biggest questions is, can Europe's now be far behind?

There will also be two expected to yield annual syn-France, with a market share global support joint ven- ergies of about \$300m. Oncommitted of liest dust pre-tax margines 1997/98 (%), Figure in ber is ennuel change (% points) The transform subsidiaries into

حكذا من الاحل

tomo's eight European man- combined sales - split almost

noles quits tnership LTCM

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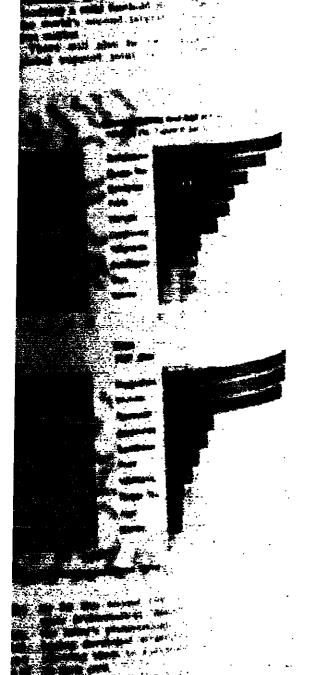
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There's one question you should ask about investing in an energy company of the future. Is it Reliant?

Introducing Reliant Energy.

The transformation of Houston Industries and its subsidiaries into one strong, energy services company.

It's the culmination of years of work. Out of Houston Industries' steady expansion in size and in capabilities, a new company has emerged.

We are no longer various electric and natural gas entities with many names. Instead, we are one strong, national and international energy services company with expertise across the energy spectrum. We're Reliant Energy, the 4th largest

energy services company in the U.S.

Since 1866 we've invested in our company's growth. Today, we're the one to choose when looking for an energy investment. Our fast-growing capabilities in power generation, trading and marketing, and the wide range of energy services we provide, ensure our position as a leader in the industry for years to come.

True, our name is new. But our

proud heritage, commitment to strategic growth and aggressive pursuit of the future remain the same.



Effective February 8, 1999, HOU will trade as REI.

Icelandic gene company may float

DeCode Genetics, Iceland's first biotechnology company, is considering a stock market flotation after winning approval from parliament to develop a controversial entire icelandic population.

The company, set up two years ago with seed capital of \$12m, is expected to be valued at more than \$300m if it decides to proceed with a listing in New York and Rey-

genetic database, despite and medical rights groups that the system might violate patient privacy and

a gene pool that has not changed much since the 1.000 years ago, will include medical and family records ing back hundreds of years.

international pharmaceutical groups after setting up the world's first genetic research centre, which offers customers the chance to track progression of diseas

across an entire population. Kari Stefansson, chief executive, said the company was examining options to cost of developing the database. "It is likely that we will take the public offering

widespread interest from pany estimated its current value at IKr23bn (\$327m). Last year, the company

raised about \$30m by selling 20 per cent of its stock to lcelandic investors in a partial listing. "We estimate the value of

said one banker, who declined to be named Dr Stefansson declined to comment on the value fore-

share when it was formed,'

develop fully and five years

cost of medical research ecause scientists would be able to use the database to the company at about \$11 a track individual disease share compared with \$1 a mutations over several decades. They could also compare DNA from medical records of families with a hereditary disposition to cer-

before it could be marketed internationally. DeCode's supporters say it could dramatically cut the

tain illnesses, to detect

Concern is growing over state's attitude to corporate sector, says Robert Anderson rist they threatened the on CRZ, the main power utiltelecommunications ity; and last week it removed monopoly's chief execu- both the main and supervi-

Investors wary of

Czech upheaval

Then they removed the directors of the power utility. Finally, they recalled the boards of the dominant

foreign investors. Since its main retail bank, are also election last year, it has carried out a series of board changes in majority stateengaged the foreign strategic partner of SPT Telecom, the in a tussle over similar

new government comes in, but it's a question of extent,' says Zdenek Bakala, head of to assert control over the bank and an SPT board nies contradict the governmember. "This is worrying ment's rhetoric, which because it gives the impres- favours supporting foreign sion of being politically investors and promoting betrather than commercially ter corporate governance. motivated and it's the impression that counts with destabilising and could lead

In December, the Social over company policy. Democrat minority govern-

tive and changed the board. sory boards of Unipetrol, including chief executive Miroslav Tera, a former deputy minister of finance. Observers predict that

The new Czech govern- controlled companies, such ment has started to worry as Ceska Sporitelna, the Investors expected that

some board members would owned - but publicly quoted have to leave, such as the wife of former premier Vaclav Klaus from CEZ. It was also inevitable that

fixed-line telecom monopoly, a party that had been excluded from power since the return of democracy would want to pay back be expected every time a favours and install supporters in key positions.

But, they argue, attempts three publicly-quoted compa-They believe the changes are to more political control

The changes also directly ment, which took office in affect important strategic July, moved against SPT investors such as Telsource Telecom: last month it took - a consortium of Swisscom

and KPN of the Netherlands which owns 33.5 per cent of SPT - Agip of Italy, Conoco

of the US and Royal Dutch/ Shell, which together own 49 per cent of Unipetrol's main subsidiary, Ceska Rafinerska, the country's dominant oil refiner.

standing of the duties and responsibilities of joint stock companies," says Bessel Kok, president of Telsource and chief operating officer of

The government action Klaus which allowed the Social Democrats to form a government. The Civic Democrats have asked to be consulted on board changes.

nalysts are concerned because the three companies are the most heavily capitalised and traded stocks on the Prague SPT's recent increase in tar-Stock Exchange. SPT in par- iffs and suggested that the ticular is regarded as a well- end of SPT's fixed-line

managed company that monopoly be brought forcould be destabilised by the board changes.

"I don't know why they're going after the goose that laid the golden egg," says in Prague. The bitterness of the

attacks against Telsource reflect the controversy over the 1995 privatisation which gave it operational control despite the state's 51 per A parliamentary commit-

tee and the police are investigating allegations that Mr Klaus's government was given kickbacks in return for choosing Telsource. The Civic Democrats and

the consortium, the largest foreign investor in the Czech Republic, reject the allega-Antonin Peltram, minister

for transport and communi-

the end of this year.

The conflict came to a head last month when Mr ment of Mr Peltram's nominee for chairman. Mr Peltram demanded that the telecom companies recall Mr Kok. and said Svatoslav Novak, chief executive and a former deputy minister, would be removed at a general meeting in June.

"These people do not respect our opinions," Mr meeting. "This is the kind of know-how from abroad we do not need."

It is clearly going to take time to repair the government's relationship with Telsource and foreign investors. This would be unfortunate at any time but economists say it is particularly so when the government is counting

Europe expected

the world's first cholesterolexpected to announce plans today for a European launch this spring, with the UK likely to become the initial market for "fat-busting" margarine and spreads.

The move signals a concerted attempt by Raisio, the Finnish food and chemicals group behind Benecol, and the distributor. Johnson & Johnson of the US, to bring their product to market before arch-rival Unilever an launch a competing

Raisio and Johnson & Johnson - whose McNeil Consumer Healthcare holds the international production and marketing rights to Renecol - will tell analysts and institutional investors in London they are well placed to capture a significant market share among the estimated 100m people in Europe suffering from elevated cholesterol levels.

Up to now, both companies have been emphasising the IIS as their most important market.

However, Benecol's launch timetable in North America was disrupted by the intervention of the US Food and Drug Administration last

Following a three-month review, the FDA decided last week that Benecol and its Unilever rival should be approved as food ingredients rather than dietary supple-

In the past three months Raisio's share price has fallen by almost 50 per cent on fears that such a ruling would undermine the health claims and, thereby, the US sales of Benecol.

In Helsinki yesterday, Raisio shares rose 2.8 per cent to €7.25 - valuing the company at €1.2bn (\$1.36bn) -on market expectations that the group would address

Benecol Groups tighten launch in grip on Omnitel

Olivetti of Italy and shares were tendered Mannesmann of Germany yesterday strengthened their grip on Omnitel, the fast growing Italian cellular telephone company, following the successful conclusion of their revised \$1.75bn cash bid for Cellular Communications International (Ccil) of

Ccil's principal asset is a 10.3 per cent stake in Omni-tel which will now lift the joint stake held by Olivetti and Mannesmann in the Italian cellular phone venture to

50.3 per cent. However, the Italian and German partners have given Bell Atlantic, the US telecommunications group, an option to acquire one-third of Ccil's 10.3 per cent Omnitel stake.

If, as expected, the US company exercises its Omnitel will slip to 46.8 per

Bell Atlantic, which recently lost out to Vodafone in the contest for AirTouch, the US mobile phone company, already owns 19.7 per cent of Omnitel. This would rise to 23.1 per cent if it takes up the Ccil option.

Olivetti and Mannesmann originally bid \$65.75 a share

no reward

part Japanese et

The Italian and German groups subsequently raised about 68.6 per cent of Ccil outstanding shares had been tendered.

The two companies will complete their acquisition by merging Ccil into a whol ly-owned subsidiary called into the right to receive \$80 a share in cash.

The acquisition, one of the largest takeovers involving an Italian company in the \$1.85bn including about \$100m of Ccll debt

However, the cost will be exercise its option to acquire option, the Olivetti- an additional Omnitel stake Mannesmann joint stake in at the same \$80 a share offer

Olivetti and Mannesmann. advised in the transaction by to consolidate their hold on Omnitel, Olivetti's most valuable asset and largely responsible for the Italian group's remarkable financial turnround in the last 12

Dentsu links up with Nomura arm

Dentsu, Japan's biggest receive information related advertising agency, is link- to securities and direct ing with Nomura Investor investment, the advertising iary, and taking a 10 per cent stake in the unit, writes Julie Hess in Tokyo. The sale price would be about Y70m (\$603.000), Dentsu said.

The move is the latest by Dentsu to set up strategic investor relations will alliances in an increasingly increase and within the competitive market. Last range of our business we December it took a minority stake in Leo Burnett, the US

some investor relation services through its corporate communication business. Koichi Sonoda, corporate

would like to reinforce our abilities in this segment. In exchange, we will provide Under the deal, Dentsu's advertising expertise to

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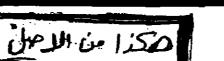
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WALL STREET SYSTEMS



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entsu links up ith Nomura arm

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COMPANIES & FINANCE: ASIA-PACIFIC

DEBT RESTRUCTURING SELECTIVE INTEREST PAYMENTS LATEST MOVE IN BATTLE WITH IFC

TPI to reward loyal creditors By Louise Lucas in Hors Kong

Thai Petrochemical Industry begin paying interest this month on loans to those creditors who have voted for remove Prachai Leophairaits \$3.2bn debt restructuring tana as TPI chief executive. plan, in the latest move in its battle with the International Finance Corporation, the private-sector lending be between 60 per cent and arm of the World Bank

TPI last made interest payments in September 1997. when it declared a unilateral moratorium on all its debts and on the \$1.2bn owed by TPI Polene, its affiliated cement company.

The controversial decision to reward supporters of its restructuring plan comes informed TPI it would begin after the IFC convinced a litigation next week to

lift Smart

NTT to

holding

to 37%

By Tony Tassell in Manila

Nippon Telegraph and

Telephone has agreed to pay

\$214m to raise its stake in

Smart Communications, the

leading Philippine cellular

telecommunications opera-

tor, from 15 to 37 per cent.

been flagged when Smart's

parent, First Pacific, the

Hong Kong-based conglomer-

ate, announced a \$749m

acquisition of a controlling

stake in Philippine Long Dis-

tance Telephone, the coun-

try's dominant fixed-line

Analysts said the acquisi-

tion would raise funds for

First Pacific to help offset

the cost of the controlling

stake and was likely to be a

prelude to the merger of

First Pacific said the deal

valued Smart at \$880m and

was likely to be completed

NTT will acquire \$42m of

Smart shares from Metro

Pacific. First Pacific's Philippine flagship company. It

will also acquire \$107m of shares directly from the Hong Kong conglomerate.

in addition, NTT will subscribe for \$65m of new Smart shares increasing the intal market value of Smart to

elecoms operator.

Smart into PLDT.

by the end of March.

The deal had originally

number of creditors to back enforce the personal guaran- halt resumption of payments its demands for amendments to the plan. Those amendpower of the IFC to call an accelerated default and

TPI said a "significant majority" of the company's 148 creditors, understood to 70 per cent by value, had backed the original plan. Under Thai law, the company needs support from 75 per cent of the creditors to force an agreement on the dissenting minority.

IFC controls about 15 per cent of the company's debt, and bankers said it had informed TPI it would begin

By Gillian Tett in Tokyo

financial year.

the companies.

Nomura Securities, Japan's

largest broker, admitted yes-

terday it was considering

selling its equity stakes in

several large Japanese com-

panies before the end of the

The company refused to

comment on the reason for

"We are reviewing our

the possible sales or identify

investment holdings, and

most of our holdings are in

the financial sector," it said.

However, the review has

fuelled speculation on the

future of Kokusai Securities,

ker, which is 34 per cent

TPT's loans if the requested said yesterday it would ments would increase the amendments were not made. In response, TPI said it

would begin to make interest payments this month to creditors who had supported its own version of the plan. "How much those payments will be and to whom we will make them will be disclosed shortly," the company said. One foreign banker in Thailand called the tactic

"clumsy but effective". A number of creditors, particularly official export credit agencies, are thought to be following the IFC's lead but could be enticed by the navments offer to vote for the original plan.

tees Mr Prachai gave for was legal action against Mr Prachai, bankers said.

Yet a high-profile attempt to enforce a personal guaranernment in a difficult position as it mounts a politically sensitive campaign in the senate to make such guarantees easier to

The World Bank has been urging the Thai government towards these changes, arguing that they are crucial for Mr Prachai, a senator who

has been leading the fight against the legal changes argues that they would mean too many Thai assets. including his own, would be The IFC's only option to taken over by foreigners.

Nomura ponders sale of Japanese equity stakes

attempts to raise capital Nomura's huge equity hold-before the end of the finan-ings in "friendly" brokers cial vear.

Deutsche Morgan Grenfell, said: "If Nomura does not take action in the next few weeks, I think their reported capital adequacy ratio could fall to 200 per cent or so, which would be very poor for them."

Nomura has already admitted that it has sustained about Y250bn (\$2.2bn) losses in overseas markets in recent months, due to the financial turmoil in Russia and losses in its US property Japan's fourth largest bro-Analysts such as Mr Hea-

owned by Nomura group ton believe these will leave Nomura recording a full-Several foreign investment year pre-tax loss of about firms have already expressed Some analysts hope that

strong interest in Kokusai, the healthiest medium-size the losses by Nomura, which broker in Japan. has considered itself the The review comes amid strongest of the Japanese growing market concern brokers, may force it to over the scale of Nomura's speed up a rationalisation losses in overseas markets. along Anglo-American lines. Competition in the finanin particular, analysts suspect that any sale of its cial sector since Japan's Big closed at Y1,000, up Y25.

shares would be part of Bang has put a strain on and banks, causing Paul Heaton, analyst at relationships to become frag-

> For example, Kokusai's recent business success has left its management seeking greater independence, put ting strain on the link with

The attraction of Kokusai to foreign financial companies lies in its powerful franchise in the domestic retail market and its sweeping cost-cutting programme in recent vears.

Until now it was assumed that Nomura would oppose any sale of its shares in Kokusai to a potential rival, particularly a western other large

shareholders in Kokusai include Toyota, Toyo Trust and Sakura Bank. Sakura yesterday refused to comment

Kokusai shares closed yesterday at Y1,093, Y64 up on the day. Nomura shares

oan provisions surge at Bank of East Asia

By Rahul Jacob in Hong Kong

Alexandra Connor, director of research at Indosuez Bank of East Asia, which WI Carr Securities, said that on the traditional valuation measure of price-earnings ratios, the price paid by NTT appeared steep, representing an approximate price-earnings multiple of nearly 100 on the basis of forecast 1998

On other measures the deal appeared more fairly priced, representing an enterprise value - total market capitalisation plus debt per subscriber of about 1.400

Following the NTT purchase, Metro Pacific's economic interest in Smart the amount of equity it con-trols - will fall to 38 per cent. First Pacific's economic interest will decline to 18 per cent. Apart from the NTT stake, the remainder of the able environment

Charges for bad and doubtful debts increased from HK\$292m in 1997 to HK\$1.51bn (\$195m) for 1998. The bank said it had fully

provided for loans to Gitic and had made across the board provisions for 5 per cent of its China loan book and 20 per cent of its loans to other International Trust and investment Corpora-

"If you don't consider that conservative, I don't know

fronted with an unpredict. D+, citing its high exposure cerned about the impact of larger banks had an expo-

> Mr Li blamed the fall in net profits from HK\$2.08bm to HK\$927.8m on weak demand for corporate and consumer loans in Hong Kong. Loans declined by 0.04 per cent in 1998, against a

Mr Li said he expected the against 1.2 per cent in 1997, another 15 per cent or more.

The company announced a final dividend of 14 cents a In December, Moody's, the share, giving a total divi-

Court blocks Aw Sing Tao sale

23 per cent stake in Sing Tao, the Hong Kong-listed publishing and investment company she controls, were dealt a blow yesterday after the High Court rejected the buyer's application for a validation order.

Court approval for the deal was necessitated after bankruptcy petitions were filed in January against Miss Aw, who owns 50.04 per cent of Sing Tao. Miss Aw acknowledged that loans of HK\$270m (US\$34.8m) had been made by Ho Ying-chie, chief executive of Hong Kong

Yesterday's judgment revealed that Miss Aw, who spent much of last year trying to dispose of her stake in Sing Tao, withdrew from a deal with Lazard Asia Investment Management in December.

Miss Aw failed to attend the appointment for the signing of Lazard's proposal, and three days later entered into a transaction with China Enterprise Development Fund (CEDF), a Dub-

Citibank Presents Eiton John - The 1998 World Tour.



Sally Aw: planned to sell 23% holding in Sing Tao

tors include Fidelity Far tice Doreen Le Pichon East Fund.

lin-listed fund whose inves- offer, which presiding Jus-Miss Aw did not say why advantageous from the pershe spurned the Lazard spective of Miss Aw's unse-

cured creditors [and] minority shareholders of Sing

After entering the CEDF deal, Miss Aw entered an "understanding" with the Aw Boon Haw Foundation, a charity set up by her father. In December, the Foundation agreed to sell Tiger Balm Gardens, a theme park built by her father, for HK\$100m. Miss Aw's apparent "understanding" was that the proceeds from the sale be used to buy some or all of her remaining shares, according to documents shown in

The judgment also gave an insight into the extent of Miss Aw's financial situation. Some 96 per cent of her holding, or 48 per cent of Sing Tao shares, have been pledged to banks.

The amount outstanding to secured creditors is HK\$110m. They are not deemed to be at risk, although Bankers Trust and ING Barings have both threatened appropriate action if amounts owing are

not swiftly repaid. Unsecured creditors, said Justice Le Pichon, "are very

has been under the spotlight since Guangdong International Trust and Investment Corp (Gitic) collapsed in October because of its exposure to mainland entities, yesterday reported a 415 per cent increase in its provisions for bad and doubtful

that the bank was con-

Some analysts remain conthe rapidly deteriorating sure to China of about 5 per financial health of many Itics. The past few weeks have seen a number of mainland entities reporting problems making loan repay-"It's all fine and well if

nothing bad happens from here, but what if non-performing loans go from 4 per cent to 8 per cent?" said one Bank of East Asia's non-

performing loans ratio rose to 4.1 per cent last year. Its China-related loans, including those to Itics and red chips, amounted to 14.9

strength rating from C to to China. Moody's estimated that most of the territory's

economy to bottom in late 1999, but did not expect a revival in loan demand until asset prices had fallen Residential prices in Hong Kong have roughly halved since their peak in 1997.

equity is held by Philippine what is," said David Li, US rating agency, downdend of 32 cents for the year, investors and management. chairman, but he admitted graded the bank's financial a decline of 56 per cent.

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Tokyo urges foreign car group alliances

By Alexandra Harney in Tokyo

The Japanese trade ministry said yesterday it would strongly endorse an alliance between Japanese and foreign car manufacturers in an attempt to ensure Japan a an equity tie-up, could pave place in the global automo-

tive industry. Masao Omichi, director of the vehicle industry division of the Ministry of International Trade and Industry. said: "It would be very difficult to see how Japanese carmakers would be able to compete without an alliance with one of those groups including Nissan, and there

Motor, DaimlerChrysler and

Toyota Motor!" The comments, coming days after Nissan Motor and DaimlerChrysler confirmed that they were in talks about the way for a shake-up in the Japanese car sector.

DaimlerChrysler believed to be close to taking a majority stake in Nissan the French carmaker, has confirmed it is talking to

[General Motors, Ford has been speculation about a link between Mitsubishi represent a shift by the Japa-Motors and a US or Euro- nese government away from pean manufacturer. Alliances between Japa-

nese carmakers have until small equity links or technical and manufacturing joint ventures, with the exception the US bought a 33.4 per cent stake in 1997. Analysts said Diesel, the troubled truck companies were loath to surand engine unit. Renault, render management control and the Japanese govern-

supporting employment levels - and hugely inefficient now been largely limited to sising core competencies and conforming to global cost standards.

Mr Omichi said this could is of Mazda, in which Ford of lead to bankruptcies of

weaker companies. However, Mr Omichi said the increased demand for environmental technologies and the move towards global ment has been concerned consolidation were threatenpotential partners in Asia, that mergers would lead to ing to leave Japanese car companies behind.

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Reckitt & Colman chief to step down

Vernon Sankey yesterday stepped down as chief executive of Reckitt & Colman following growing investor unease over the performance of the household products and household medicines group he has led since 1992. Reckitt, an international company with 47 plants in 35 countries, has been buffeted by the economic turmoil in prise resignation sent the

But a profits warning in November highlighting difficult trading in Latin America and Asia also identified problems in the US which led to a second round of downgrades by analysts in

six months

The shares have drifted down from a high last April of £13 (\$21), touching 700p last month. Mr Sankey's suremerging markets which price up 50%p to 870p, amid

tage of the uncertainty until sor is appointed. Bid rumours have repeat edly surfaced, with Unilever. Procter & Gamble, Johnson & Johnson and Kimberly-Clark often named as poten-

The company said the resignation had been mutually agreed and beralded no further decline in the group's trading position.

tial buyers.

Mr Sankey, also a director account for a third of sales speculation that a bidder of Pearson, the owner of the

could emerge to take advan- Financial Times, will stay as non-executive director until the end of March to assist in receive a leaving package

> worth about £900,000. Michael Turrell, global operations director, will be acting chief executive while headhunters search for a permanent successor. Under Mr Sankey's leader

ship. Reckitt sold Colmans of Norwich, its food business and maker of the famous English mustard. It acquired

division of Eastman Kodak. per cent of profit. It also owns a range of over-

Mr Sankey's strategy was to focus on one or two organisation with a firstbrands in selected categories and to transfer products successful in one market to others it operated in. He also focused growth on emerging

However, growth has slowed and the group has been particularly badly hit in Brazil which accounts for Lex, Page 16

Alan Dalby, chairman said Mr Sankey had trans formed Reckitt into a global

class portfolio of brands. "It is important we now phase of growth on behalf of our shareholders, customers employees and all other stakeholders."

Licensing success lifts ARM

Strong sales of digital devices including mobile telephones, portable computers and games machines helped ARM Holdings, the Cambridge-based semiconductor design group, report strong maiden full-year results yesterday.

. Yr to Oct 31

. Yr to Oct 31

. 6 miths to Dec 31

Blectron 6 miles to Nov 30 lent Energy . 6 miles to Dec 31

Pre-tax profits for the group, which was floated on the London and Nasdaq exchanges in April and has become a standard-bearer for British high technology, more than doubled to £9.4m (\$15.4m) last year against and this helped soften pres-

RESULTS

which grew by 59 per cent to £42.3m (£26.6m)

The results mainly reflect ARM's success in licensing its powerful Risc (reduced instruction set computing) microchip designs to many of the world's largest semiconductor and consumer electronics groups. Product revenues, including licence fees, royalties and the sale of development systems were

£35.2m (£20.1m). Jonathan Brooks, finance director, said revenues in the fourth quarter were "better than we had anticipated" £4.5m in 1997 on turnover sure on operating margins.

10.2 28.1 3.44 0.707 0.055♥ 4.424 2.26L 0.506 14.4♥

8.56

(26.6) (353) (152.5 (22.8) (3.97) (149.9 (0.64) (2.24)

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. AAfter exce ØAim stock. *Comparatives restated. ‡Third intentin; makes 3.375p to date.

0.63 3.26

(5.01) (20.5) (3.61 •) (0.464L) (1.96L •) (4.26) (2.26L) (1.03L) (16.3L •)

(4.36) (4.36) (3.51)

14.9 16.6† 2.79† 2.9† 0.12† 8.6 6.3L 3.95† 12.5

(6.61L (8.4)

Manufacturers that license ARM's processors, which are particularly well suited for use in small mobile devices where low power consumption is important, delivered more than 50m devices containing them last year, com-

pared with less than 10m in

the whole of 1997.

About 70 per cent of the sales were in digital mobile phones built by Nokia, Ericsson and other manufacturers, but ARM chips are also used in games machines including Sega's new Dreamcast console, set-top boxes networking products and a

new Hewlett Packard porta-

During the year ARM signed licenses for its technology with six companies Matsushita, Seiko Epson and Toshiba of Japan, Hewlett Packard of the US and two unidentified groups, one headquartered in the US, the other in Europe. It also signed its first lic

ensing agreement with Intel. the world's largest semiconductor group, enabling Intel to manufacture, supply and develop its StrongARM

ARM's shares, which floated at 574p, closed up 95p at £18.20 in London.

4.75

3.75

US predators circle Weir

By Michael Peel

Weir Group has received an unsolicited approach from a US company interested principally in acquiring its pumpmaking operation. However, it is believed

Weir, based in Scotland and one of the world's 10 biggest pumpmakers, will oppose the approach because it fails to adequately reflect the group's value.

The approach comes after a series of takeovers by US engineers seeking to take advantage of the relative cheapness of UK counterparts. Weir shares closed at market capitalisation of just under £600m (\$984m).

The potential bidder is thought to be one of five US companies: ITT Industries. Flowserve, Idex, Textron and Ingersoll-Dresser Pump.

The indicative offer is believed to value Weir at analysts' estimates of its resent its main market. break-up value. It also sits uneasily with the view of Sir Ron Garrick, chief executive,

who said he would demand of any bidder a premium that "would be in the Guin-

ness Book of Records". Welr is known to be seeking to expand aggressively itself, and has spent about £200m on 20 acquisitions in

the past four years. In common with other UK engineers. Weir's share price collapsed last year on wor ries about the effects of slowing world demand and the strength of the pound.

yesterday's

prospective multiple of about 10.5 times earnings Weir, which made pre-tax 294%p, up 62%p, giving a profits last year of £60.1m, up 23 per cent, on sales of £637m. is expected to hold up well this year in spite of

announcement, it was on

Before .

tough trading conditions. One analyst said Weir was an attractive target for a US engineer at a time of consolidation in the world; pump market. Pumps account for about 300p a share, which just under half of group compares unfavourably with sales, and the Americas rep-

> But analysts thought a bid of 300p per share would be unlikely to succeed.

Tarmac to split into two units

By Charles Pretzlik

yesterday announced plans to split into two groups concentrating on aggregates and construction. Analysts said this increased the likelihood that Tarmac which failed to strike a merger agreement with Aggregate Industries last vear, would link with a rival. Sir Neville Simms, chief executive, said: "The board has, for some time, been aware that additional value could be created for our shareholders by separating

our two business streams." He said Tarmac's board would continue to seek opportunities for rationalisation. The group has been under pressure from shareholders to find a partner since talks about a £1.8hn merger with Aggregate broke down acrimoniously. But Sir Neville added: "It

is clear to me that we're not going to make any further progress in our discussions with Aggregate Industries." Mike Betts, an analyst at JP Morgan, welcomed the move. "Contracting is dragging down the value of the group." He estimated the construction business held back Tarmac's shares by

about 30 per cent. They rose 4%p yesterday to 117p. Analysts said the business could be worth about £400m (\$656m) as a separatelyquoted company. It made operating profits of £29m on sales of £1.6bn in 1997.

The business has been moving away from traditional construction activities, which have suffered from tiny margins, and focusing increasingly on higher-margin maintenance and facilities management.

Analysts believe the construction company would require a cash injection from Tarmac of about £150m. Mr Betts said he feared this could leave it with too much debt to compete effectively for acquisitions.

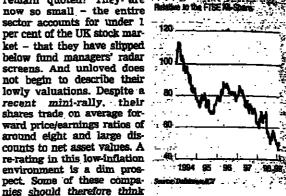
Sir Neville said: "The capital structures of both businesses will be competitive with their peer groups."

Sir Neville is expected to lead the construction division when it is demerged in about five months. Roy Har- SEAO Bargains (5.00pm) rison, a director in charge of the heavy building materials division, is expected to run the aggregates business.

The aggregates business. which would retain the Tarmac name, generated operating profits before exceptional items of £142m on sales of £1.2bn in 1997.

COMMENT Housebuilders

Why do housebuilders remain quoted? They are now so small - the entire sector accounts for under 1 per cent of the UK stock market - that they have slipped below fund managers' radar screens. And unloved does not begin to describe their lowly valuations. Despite a recent mini-rally, their shares trade on average forward price/earnings ratios of around eight and large discounts to net asset values. A re-rating in this low-inflation environment is a dim pros-



slip as focus

about going private. Their public status is not providing them with cheap capital, since few dare launch rights issued at these levels. Neither is a quote a ticket to the consolidation party. There is little scope for economies of scale because being bigger does not guarantee better prices from even more fragmented, local contractors

Size may even be a disadvantage. Volume housebuilders need huge tracts of land, which are not easy to negotiate, given tight planning restrictions. But if the stock market loes not love housebuilders, venture capitalists may not like them either. They are not particularly cash generative and an easy exit, via flotation, looks improbable. But with leverage low in the sector, the more confident managements could surely become their own venture capitalists: gearing up to take the company private and then building out the land bank to pay down the debt. That certainly sounds more fun than watching the shares languish.

ARM Holdings

The UK, consultants never tire of telling us, is not fertile ground for the sort of entrepreneurship cultivated in Silicon Valley. Acorn, however, has sprouted one such oddity: a successful UK-based chip design company. Note the double disadvantage: stuffy Cambridge versus gung-ho California, and microchips - no easy industry in recent years. But ARM now valued at £890m versus last year's £264m flotation is in the right chips: those used in digital mobile phones and set-top boxes. Apple has also sold part of its stake, which may have made it easier for ARM to license its technology far and wide, from Intel to Matsushita. ARM may, like Psion. not be large enough to survive entirely independently. But large bidders will need to take care they do not lose ARM's

NEWS DIGEST

TRANSPORT

Eurotunnel cuts debt cost with note repurchase

Eurotunnel has paid £38m (\$62m) to repurchase £134m of loan notes issued as part of its financial restructuring last year. The move will provide an exceptional profit of some £90m and reduce its annual interest charge by a further

The company, which operates the Channel tunnel and nger and freight shuttle trains. : make use of the large discount at which the notes traded to cut its debt costs, it has bought back 11.85 per cent of the £1.13bn of participating loan notes issued last April,

reducing total debt by 2 per cent. The fixed coupon on the notes is only 1 per cent but from 2006 holders would have been entitled to a percentage - initially 30 per cent - of net cash flow after financing charges. The repurchase will reduce the entitlement to 26.45 per cent. This deal comes six weeks after the company concluded negotiations with its banks to refinance £238m of senior debt, reducing its annual interest charge

The difference between the nominal cost of the notes and the purchase price is £96m but Eurotunnel said it had calculated an exceptional profit of £90m after allowing for charges and the exchange rate at the time the transfer was made. Charles Batchelor

BUILDING MATERIALS

by £5.5m.

Blue Circle disposal for £253m

Blue Circle, the building materials group, has sold its bathrooms division, including Armitage Shanks, to American Standard, the diversified manufacturer, for £253m (\$415m) cash. The deal to combine the US group's bathrooms and plumbing arm with the Blue Circle businesses will create Europe's biggest bathroom products company with an annual turnover of more than \$1bn. Blue Circle's bathroom division also includes Ceramica Dolomite, the Italian manufacturer. American Standard owns the Ideal Standard bathrooms brand in Europe.

The sale price was seen by analysts as being at the top end of expecations. Lazard Brothers arranged the auction. Lucy Smy

CONSTRUCTION

FT Gavt Securities

FT Road Interest

FT:30

Crest Nicholson optimistic

A note of optimism returned to the housebuilding sector yesterday as Crest Nicholson reported a 37 per cent jump In pre-tax profits for 1998 and predicted an "excellent" 1999. Pre-tax profits rose from £20.5m to £28.1m (\$46m) in the year to October 31. Crest said its performance was helped by the interest

rate cuts since October, which had improved consumer confidence and damped fears of recession. Mike Foster, analyst at Credit Lyonnais, expects pre-tax profits of £32m this year with further growth next year.

MONTHLY AVERAGES OF STOCK INDICES FTSE" 100 5686,3 4761,9 4885.0 2681.4 2630.55 4904.9 2686.2 2646.90 4948.99 2591.98 2814.0 2778.42 FTSE Roancial Group 5145,56 4319.56 2714.51 2571.19 FTSE Eurotop 100 2795.78 2265.27 2617.70 2565.69 1110.10

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	Highest close Jan	Lowest close Jan
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TSE 250	5024.2 29th	4829.1 22nd
T&E 350	2888.7-8th	2749.0 14th
TSE All-Share	2784.68 8th	2654.62 14th
FT 30	3869.5 6th	3423.9 22nd

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ShinWon Corporation (a company incorporated with limited liability under the laws of Korea)

Notice of a Meeting of the holders of the

U.S. \$18,000,000 0.5 per cent. Convertible Bonds due 2008

of the Issuer (the "Bondholders" and the "Bonds" respectively)

NOTICE IS HEREBY GIVEN that a Meeting of the Bustilindulen convened by the Issuer will be held at the Conference Russin, ShariWon Building, 512 Downhardong, Maporlou, Secial, Korea on Thursday, 25th February, 1999 at 10.02 Lm. (Secul time) for the purpose of consolering and, if thought fit, passing the following Resolution which will be proposed as an Extraordinary Resolution in accordance with the proposed as an Extraordinary Resolution in accordance with the proposed as an Extraordinary Resolution in accordance with the proposed as an Extraordinary Resolution in accordance with the proposed as an Extraordinary Resolution in accordance.

EXTRAORDINARY RESOLUTION

"THAT this Meeting of the holders of the U.S. \$18,000,000 0.5 per cent. Convertible Bands due 2008 at ShinWorn Corporate in (the "Bands" and the "baser" respectively) constituted by the Trust Deed duted 7th December, 1993 (the "Trust Deed") made between the Issuer and Bankers Trustee Company Limited (the "Trustee") as trustee for the holders of the Bands (the "Bandsholders") and the holders of the interest company appearationing thereto (the "Companholders" and the "Companholders" and the "Propasals") which are set out in the Explanatory Memorandom dated ind February, 1999 addressed by the Issuer to the Bandholders and their implementation on and subject to the terms and conditions set out therein and

Sinctions every modification, absocution, variation or composition of the unrangement in respect of the rights of the Bondholders and the Componholders against the Issuer, whether such rights shall arise under the Trust Deed or the Bondhor otherwise, involved in or resulting from the implementation of the Proposals and this Extraordinary Resolution; and

authorises, directs and requests the Trustee to concor in the implementation of the Proposals and this Extraordinary Resolution and, in order to give effect thereto, forthwith in execute a Supplemental Trust Deed in the form of the draft produced to this Meeting and for the purpose of identification signed by the Chairman thereof with such amendments (if any) thereto as the Trustee shall require."

The attention of Bundholders is drawn to the fact that on 24th November, 1998 the Issuer commenced it working program pursuant to which 55 local creditors of the Issuer agreed to restructure certain lebilities of the Issuer is presently in majoristion to recleem the Bunds pursuant to the option (which was exercised by all Bondholders) to require all Bunds to be redeemed at 125,95 per cent. of their manufall amount plus accorded interest on 7th December, 1998, it has accordingly formulated the Proposids reterned to in the Extraordinary Resolution set our above, involving modifications being made to the Terms and Condition of the Bunds to provide, interedia, the following:

(a) the cancellation of the obligation of the four-to-repay the Bonds on 7th December, 1995 and the reinstancement of the final maturity date of the Bands of 11st December, 2008: (b) the mercase in the aggregate romanal amount of the Bonds from U.S. \$18,000,000 to U.S. \$22,671,000 representing the original aggregate romanal amount of the Bonds from U.S. \$18,000,000 to U.S. \$22,671,000 representing the original aggregate romanal amount of the Bonds from U.S. \$18,000,000 to U.S. \$22,671,000 representing the original aggregate romanal amount of the Bonds from U.S. \$18,000,000 to U.S. \$22,671,000 representing the original aggregate romanal amount of the Bonds from U.S. \$18,000,000 to U.S. \$22,671,000 representing the original aggregate romanal amount of the Bonds from U.S. \$18,000,000 to U.S. \$22,671,000 representing the original aggregate romanal amount of the Bonds from U.S. \$18,000,000 to U.S. \$22,671,000 representing the original aggregate romanal amount of the Bonds from U.S. \$18,000,000 to U.S. \$22,671,000 representing the original aggregate romanal amount of the Bonds from U.S. \$18,000,000 to U.S. \$22,671,000 representing the original aggregate romanal amount of the Bonds from U.S. \$18,000,000 to U.S. \$22,671,000 representing the original aggregate romanal amount of the Bonds from U.S. \$18,000,000 to U.S. \$22,671,000 representing the original aggregate romanal amount of the Bonds from U.S. \$18,000,000 to U.S. \$22,671,000 representing the original aggregate romanal aggregate rom

(c) the shares into which the Bands are convertible being changed from Non-vicing Shares to Common Shares of the Issuer. the adjustment of the conversion price to KRW5,000 per Common Share and the increase in the fixed exchange rate for translating the U.S. Jolker nominal amount of the Bonds into KRW from KRW506 to = U.S. \$1.00 to KRW1,214.80 = U.S. \$1.00 (the latter being the exchange rate on 7th December, 1998);

(c) an increase in the coupon from 0.5 per cent, per annum to 1 per cent, per annum, payable on the increased nominal amount of the Bands;

(f) the remainstratum of the put common under Condition 7(P) of the Bonds but so that, if exercised, Bonds older will be repaid on With June, 2003 at a redemptor in price of U.S. \$0,595.5 per Bond in the (g) certain adjustments to the conversion price to be excluded and certain potential events of definit not to be meated as such.

The bourt has prepared in Explanatory Menominatum (the "Explanatory Menominatum") dired 3rd February, 1999 addressed to the Bundhalders which is referred to in the Extraordinary Resolution server above. It explanatory menominatum will be delivered to Morgan Quaracty Trust Company of New York, Percent office, as operator of the Eurockets System ("Eurocleur") and Cedelbank for onward transmosors to their account holders owning an interest in the Box

The attention of Boulholders is particularly requested either to take steps to be represented at the Meeting which is set out in paragraph 2 of "Voting and Quarum" below. Having regard to not requirements, Bondholders are particularly requested either to take steps to be represented at the Meeting, as referred to below, as soon as possible, or to attend to person.

Copies of the Trace Deed (including the Terms and Conditions of the Banda), the common data of the Supplemental Trace Deed returned to in the Exequations; Resolution set out above and the document religing to the wishing pressum will be available for inspection by Bandalokkers as and copies of the Explanatory Memorandum can be obtained by the Bondholders from the specified offices of the Paying and Contention before the first out below; in each case during cornel business hours in any weekday (Saturdays and bank and other public holidays excepted) up to and including the date of the Meeting and as the Contention Rossian, ShipWort Building, 532 Downstandors, Maporku, Seoul, Korea from the trace 17 manages prior to and during the Meeting.

In accordance with rormal practice, the Trustee expresses morphism as to the Proposals to presented to the Explanatory Mentorandom and summarsed above. It has, however, anthorized to be stated that, on the basis of the information contained in the Explanatory Mentorandom which it recommends Bundholders to read carefully), in this Norice and my is notice to Bundholders dated 4th December, 1998, it has no objection to the Explanatory Mentorandom which it recommends Bundholders for their consideration. The Trustee has however, not been in object on formulating the Proposals and makes no representation that all relevant information has been declosed to Bundholders in the Explanatory Memorandom middor such notices. Accordingly, the Trustee ungs-Bundholders who are in any doubt as to the impact of the implementation of the Proposals to seek their own furnitional above.

Bondholders having questions regarding the Extraordinary Resolution set our above or the Progrands can contact Steve Chough of the lower directly on telephone +822 3274 7472. VOTING AND QUORUM

A Bondholder wishing to attend and vote at the Meeting in person most produce at the Meeting either the Bond(s), or a valid voting certificate or valid voting certificate or valid voting certificate. on eroun Agent in its specified office set out below, in respect of which he wishes to trate.

Conversion Agents of the special office set on record, in respect to suitable weather to the set of the person when he wishes to actend on his behalf or give a voting instruction rither on a voting instruction being instruction being instruction being instruction of the second offices of the Phyling and Conversion Agents set our below) or, where his Bond(s) Island held by Codelbank or Euroclean, in accordance with the wandard procedures from time to time of Codelbank or, as the case may be, Euroclean, in either case instructing a Paying and Conversion Agent to appear a proxy to arrend

and wer at the Meeting in accordance with his inspirators.

Until the time being 46 hours before the time appeared with any Paying and

Concerns Agents of the time beging the time appeared with any Paying and

Concerns Agents of the time beging the time appeared by such Paying and

Concerns Agents of the time beging the time appeared by such Paying and

Conversion Agents of the purpose of obtaining voting certificates or giving woring metricities in respect of the relative Meeting. Any Bund(s) sudeposited or held will be released at the conclusion

of the Meeting to, if applicable, any adjourned such Meeting) or upon numerator of the voting certificate(s) to the Paying and Conversion Agent who issued the same or, not less than 48 hours before

the time for which the Meeting to a paylocable, any adjourned such Meeting) or or events of paying and Conversion Agent of the voting inscribed paying the surrender to the Paying and Conversion for the voting inscribed paying the applicable, and applicable, any adjourned such Meeting) or or events of paying and Conversion Agent in respect of each such deposited by such

Paying and Conversion Agent in respect of each such deposited by the body of the paying and Conversion Agent to the Paying and Conversion Agent to the lease of the necessary amendment to the

The quartum required at the Meeting is two or more persons present holding Bonds or voting certificates or being proxies and being or representing in the aggregate the holders of over 66 per cent. In nominal amount of the Bonds for the time being constanding, if, within half-in-base directly represented for holding the Meeting, a quartum is not present, the Meeting will want algorithm to the Eurasidinary Residuary and the Eurasidinary Residuary and the considered at an algorithm Meeting will be given to the Bondholders). The quartum at such an adjourned Meeting will will east adjustment that he contained as the controlled an appropriate secting the being of the presenting in the aggregate the bolders of over 33 per cent, in nominal amount of the Bonds for the time being outstanding.

Every question submitted in the Meeting will be decided in the first materials by a show or humb unless a pull todals demanded by the Chairman of the Meeting or by the Issuer or by one or more persons Every queed in surfament in the societies were occurred in the first in the manufacture of holders of market wants occurred to the person in the person of the person who is present in person and produces a Banda or voting certificate or it is proved thank every person who is present in person and produces a Banda or voting certificate or it is proved shall have one total. On a pull every person who is so present shall are one vite in respect of each U.S. \$5,000 in remained amount of the Bonds upper duced or represented by the viting contributes operational or in respect of which he is a power.

To be passed, the Euros adinary Resolution requires a majority in favour consisting of pass less than three-bourths of the viage cast therein. If passed, the Euroscalinary Resolution will be binding upon all the Bondholders, whether or not present at such Meeting and whether or not a coung, and upon all the Compatholders. The Bondholders will be martized by publication in the Foundal Tames or another leading newspaper of general circulation in Lundon and by publication in the Lacemburger Wort or standard resuspenses of general circulation in Lundon and by publication in the Lacemburger Wort or standard newspaper of general circulation in Lundon and by publication in the Lacemburger Wort or standard newspaper of general circulation in Lundon and by publication in the Lacemburger Wort or standard newspaper of general circulation in Lundon and by publication in the Lacemburger Wort or standard newspaper of general circulation in Lundon and by publication in the Lacemburger Wort or standard newspaper of general circulation in Lundon and by publication in the Lacemburger Wort or standard newspaper of general circulation in Lundon and by publication in the Lacemburger Wort or standard newspaper of general circulation in Lundon and by publication in the Lacemburger Wort or standard newspaper of general circulation in Lundon and by publication in the Lacemburger Wort or standard newspaper of general circulation in Lundon and by publication in the Lacemburger Wort or standard newspaper of general circulation in Lundon and by publication in the Lacemburger Wort or standard newspaper of general circulation in Lundon and by publication in the Lacemburger Wort or standard newspaper of general circulation in Lundon and by publication in the Lacemburger Wort or standard newspaper of general circulation in Lundon and by publication in the Lacemburger Wort or standard newspaper of general circulation in Lundon and by publication in the Lacemburger Wort or standard newspaper of general circulation in Lundon and by publication in the Lacemburger Wort or standard newspaper of general circulation in Lundon in the Lacemburger Wort or standard newspaper of general circulation in Lundon in the Lacemburger was a standard newspaper of general circulation in the Lacemburger was a standard newspaper of general circulation in the Lacemburger was a standard

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Principal Paying and Conversion Agent Rankers True Company

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1 Appoid Street, Broadcare Lindin ECZA 2HE

Other Paying and Conversion Agents Bankers Trust Luxemb aug S.A. 14 Baderani ED. Rasserek

ablers Trustee Company Limited 1 Appeld Street, Broadgate London EC2A 2HE

Dured Int February, 1999 Bundle where a home Bunds are held by Cedelbunk or Eurochem double contact the indicating for inother information. Cedellord. Corporate Action Department (telephone Luxemburg: +352 449 928 067, telex 2791). Eurocleur: Canach Operations Department (telephone Branchs +322 224 2100, telex 61025).

مكذا من الاحل

EURO PRICES

Housebuilders

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EQUITIES

Stocks slip as focus back on fundamentals

EUROPEAN OVERVIEW By Vincent Boland

European stock markets

sectors down as investors weighed the outlook for fur-

THREE MIDNITH BURNEOR FUTURES (LIFTE) EI IN 100-1869

96.985 97.095 97.135 96.920

96.985 97.095 97.135

IN THREE MONTH EURO LIBOR FUTURES (LIFTE) ETIN 100-1480

Sett price Charge High

-0.015 -0.015 -0.010 -0.010

-0.015 -0.015 -0.010

96,990 97,120 97,155 96,945

High

96,980 97,115 97,155 96,940

LOW

96.965 97.090 97.130 96.915

FTSE Ebloc 100

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Currency market trends setting committee. were also hitting sentiment. surge as the focus returned that sent Wall Street tummore to fundamentals than bling in early trading, and

bank chief was ousted.

55C. WI

Sap

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Some corporate results dissome of the previous day's 22.02 lower at 2.811.24 while roughly one and two per appointed, sending selected gains as yet another central the FTSE Ebloc 100 index of cent respectively, with much by the government this year. The euro, meanwhile, 11.65 at 1,023.47.

The FTSE Eurotop 300

slightly bigger losses. The

among the main losers as

Construction and house-

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FTSE Actuar						n series ន
Feb. 02						
National & Regional Marketa	Euro Index	Dest e	chaege points	Yield gross %	wianj ytd_	Togal retn (Exerc) €
FTSE Eurotop 300 FTSE Eurotop 100 FTSE Eurotop FTSE Eurotop FTSE Eurotop FTSE Eurotop	1224.70 2811.24 1023.47 1187.74 1185.35	-0.62 -0.78 -1.13 +0.39 -0.78	-7.82 -22.02 -11.65 +4.64 -8.40	2.22 2.27 2.02 2.80 2.31	0.52 1.78 0.39 1.12 1.31	1261.61 1008.37 1039.30 1231.89 1221.96
FTSE Euroblid Ex UK FTSE Eurobap 300 Begin Euroblac UK	1232_77 1280.57 1142.34	-0.59 -1.05 -0.12	-7.37 -13.50 -1.41	2.18 1.97 2.69	0.59 0.50	1256.52 1308.89 1199.95
Elitope Ex-Eurobioc Exteps Ex-UK FTSE Eurobep Indiastry S	1179.47 1272.05	-0.15 -0.87	-1.81 11.12	2.49 2.00	0.36	1222.04 1296.41
RESOURCES	814.96	+0.29	+2.32	3,54	0.94	853,11
Mining Di & Gas	774.23 785.91	+0.12 +0.29	+0.96 +2.29	4.54 3.50	0.00 0.94	790.57 805.88
BASIC INDUSTRIES	1075.38	-0.07	-0.73	2,70	0.86	1099.19
Chemicals Construction & Rid Mate Forestry & Paper	841.21 935.03 867.77	-0.28 +0.87 -0.54	~2.33 +8.02 -4.74	2.57 2.50 3.56	0.65 1.13 0.60	856.75 944.30 907.45

MON-CYC CONS G0005 1241.10 -1.20 -15.05 -1.88 943.14 -0.89 -2.16 +1.17 +0.43 -1.48 -8.34 -19.33 +9.07 +4.83 -17.08 923,43 Health 874.57
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ther earnings downturns as remained weak ahead of this Sectors like telecommuni- LVMH, which rose 66.20 to the reporting season contin-ues. week's meeting of the Euro-pean Central Bank's policy-have led the surge in share Bank prices so far this year, were

succumbed to profit-taking The yen continued its climb index of leading shares fell investors nibbled at cycliyesterday after their recent against the dollar, a factor 7.62 to 1,224.70 while less cals, which have been frienddiversified indices posted less recently. the Brazilian Real reversed FISE Eurotop 100 index was hold goods stocks climbed by to get a big slice of Crédit

euro-zone stocks ended down of the rise in the latter

FTSE Actuari				Eu nawata ra		n series ា
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National & Regional Markets	Euro Index	Dey's %	chaage points	Yield gross %	ytd ytd	Tetal retn (Earo) €
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FTSE Engalop 300 Region Burditoc UK Europe Ex-Eurobioc Burdon Ex-UK	1290.57 1142.34 1179.47 1272.05	-1.05 -0.12 -0.15 -0.87	-13.50 -1.41 -1.81 -11.12	1.97 2.69 2.49 2.00	0.59 0.50 0.36 0.54	1308.89 1199.95 1222.04 1298.41
FISE Eurolop Industry S	nciera					
Mining Of & Sas	814.90 774.23 785.91	+0.12 +0.29	+2.32 +0.96 +2.29	3.54 4.54 3.50	0.94 0.00 0.94	790.57 805.88
BASIC INDUSTRIES	1075.38	-0.07	-0.73	2.70	0.86	1099.19
Chemicals Construction & Bid Males Forestry & Paper	841.21 935.03 867.77	-0.28 +0.87 -0.54	-233 +8.02 -4.74	2.57 2.50 3.56	0.65 1.13 0.60	856,75 944,30 907,45
CENERAL MOUSTRIALS	1143,82	-0.15	-1.71	2.43	0.41	1168,58
Aircepace & Detence Discretized industrials Electronic & Elect Equip Engineering & Machinery	864.96 1011.30 1005.26 1029.66	+0.74 -0.87 +0.42 +0.03	+6.39 -6.84 +4.16 +0.29	1.90 1.99 1.84 3.86	0.00 0.00 0.18 1.18	876.90 1034.43 1016.92 1045.15
CYCLICAL CONS 6000\$	1320,41	-0.60	-7.92	2.50	0.00	1356.74
Automobiles Household Goods & Texts	984.62 1259.26	-1.01 +1.82	-10.08 +22.52	2.35 3.30	0.00 0.00	983.75 1279.01

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Prices of Quidlant companies on title page from electronic Nama tracking. PERSONAL & HOUSEHOLD PRODUCTS 118 23 22 46 45 15 112 45 33 143 04 89 125 14 24 143 114 11 223 83 14 247 82 87 9 49 15 - 69 180 45 35 15 12 125 49 69 15 25 126 49 12 15 25

Bank stocks were mixed after Monday's big French deal, with Société Générale, which is taking over Paribas,

now emerging as a favourite Lyonnais, which is to be sold BSkyB was down 40 cents attributable to a jump in at 66.43 amid reports that it would have to make big concessions on UK football TV rights in order to take over

bled €3.30 to €46 while Peugeot was down €5 at

round of consolidation, was

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EURO SPOT FORWARD AGAINST THE EURO -48 37.8217 -0.4 7.4452 -6.8 356 1090 -13.1 258.9545 -4.3 8.6940 -0.0015 331 - 412 -0.7850 110 - 648 +0.3330 962 - 217 +0.0613 935 - 020 7.4331 7.4396 318.364 322.2017 247.830 251.8002 8.5393 8.6265 8,6550 8-5979 +00.0513 505 - 020 4.2296 +00.058 256 - 365 13570.82 +236-2300 956 - 207 25.5126 +0.2302 478 - 777 42.657 -0.154 128 - 176 8.8333 +0.0414 751 * 922 1.8002 -0.0089 991 - 013 0.5895 +0.0007 894 - 902 42577 4.2065 28.5777 26.2499 43.0700 42.4445 8.9150 8.8640 1.6077 1.5966 0.6941 0.6660 down €3.60 at €149.40. -0.2 1.9 -2.4 8.8870 1.5928 0.8941 BNP fell €1 to €77 but is +0.00(9) (349 - 355 -0.1719 482 - 558 +0.0132 165 - 187 +0.00(11 282 - 466 +0.00(50 351 - 358 1.9980 1.7019 11.3825 1.1288 2.0495 1.7178 **2.1590** 1.7187 1,7200 11,7086 1,1370
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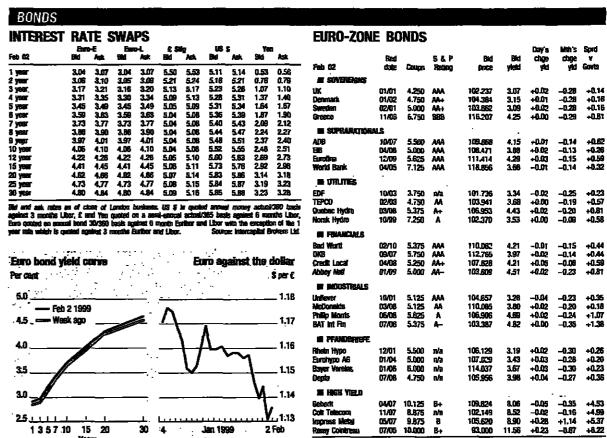
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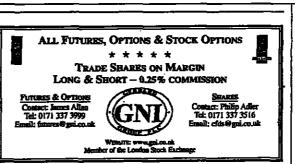
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Automobile stocks were among the main victims of profit-taking. Renault tumbled 62.30 to 646 million. 127.795 4.3147 2.0613 43.7717 4.2586 1.9133 130,300 4.3167 2.0859 43.9748 4.2619 1.9164 8.8374

-3.1 36.9498 -3.1 37.8515 -3 -3.4 42.1794 -4.3 43.9690 -5 -1.7 4.1996 -1.9 4.2915 -2.9 Three 5.5595, Forman Abot 12.5550, Abb Part 2.205 to Earn Syst byle stow only the last firms decinal in Among insurers, Axa fell €4.60 to €122 and the sector. going through a thorough





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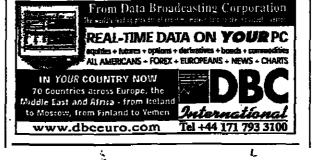
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By Arkady Ostrovsky in London and John Labate in New York

Japanese government bond yields jumped to their highest in 17 months after comments by Japan's finance minister, described as "laid back" by the markets, triggered new concern about the

over-supply of JGBs. The yield on the benchmark No 203 10-year JGB broke through 2 per cent on Monday and reached 2.31 per cent yesterday. The sell-off that pushed yields higher was prompted by comments attractiveness of repatriating from Kiichi Miyazawa. Japan's finance minister.

long-term interest rates have already started to show

should be determined by the a slowing of foreign bond market, a comment that the markets interpreted as "indifferent"

"Mr Miyazawa's apparent indifference to JGB yields is not so much a case of benign neglect as kicking a market imbalances when it's down," said Ian and the US. Douglas at Warburg.

The surge in Japanese yields also affected the US Treasury market on fears that Japanese investors might repatriate funds into the domestic market.

"As JGB yields rise, and spreads to international mar- for long-term interest rates, kets narrow, the relative assets for ven-based investors increases," said Mr Miyazawa said Douglas. "Official figures

buying," he added. He said the US Treasury market - despite its higher yields - could suffer most from such repatriation because of the bilateral trade imbalances between Japan

US Treasuries pulled back for a second day as the dollar weakened against the ven and the two-day Federal Open Market Committee meeting got under way. By early afternoon the 30-year bond, the benchmark

ing 5.241 per cent. The sell-off came a day after bonds lost more than a percentage point after the release of a stronger than are underweight in Europe

New international bond issues

1.748bn 58.09

was down % to 100%, yield-

turing activity by the which is becoming more National Association of Purchasing Management.

Shorter-term issues were lower as well. The 10-year note fell & to 99%, yielding 4.794 per cent, and the two-year note was down 🛦 to 9931, yielding 4.683 per cent. A release of the index of leading indicators showed a rise for the third consecutive

month, of 0.3 per cent. Mark Cliffe at ING Barings said a sell-off in US Treasuries could benefit eurozone markets. "Europe is well-placed, because it has been attracting more funds since the launch of the euro. And now the expectation is that Japanese investors who

98.817R Feb 2029 0.875R 99.882R Feb 2009 0.325R 100.00R Feb 2002 0.225R 100.024 Feb 2002 0.15 99.388 Aug 2000 0.075 96.9975 Jan 2002 0.1875

100.00R Feb 2002 0.225R 100.00R Feb 2002 0.225R 99.404R Oct 2009 0.325R 99.84R Feb 2004 0.15R 97.61R Feb 2009 0.375R 98.75R Feb 2019 0.50R

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liquid, over the US." European markets were

mixed. German bunds, the most liquid benchmark issues in Europe, edged slightly higher, outperforming other European markets, which closed broadly lower. Germany's March bund future climbed 0.16 to 117.19.

UK gilts closed slightly lower, weakened by the sell-off in US Treasuries. The 10-year gilt future fell 0.17 points to 119.89.

Emerging debt prices jumped almost 2 percentage points underpinned by a surge in Brazil's currency. Brazil's benchmark "C" bond was trading in a range

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Battle **NEWS DIGEST** for lead DERIVATIVES

By John Murray Brown in Dublin and Nikki Talt in Chicago

products

in euro

A transatiantic battle is being waged among leading currency derivatives exchanges to grab an early lead in trading currency futures and options contracts based on the euro.

The Chicago Mercantile Exchange, the third largest futures market and historically the main exchange for trading currency futures, is being challenged by Finex. the Dublin-based financial futures arm of the New York

Cotton Exchange.
Finex had taken an early lead in the market for eurobased contracts by claiming the lion's share of investors open positions. Daily turnover in five euro-based contracts on the exchange - for US dollars, yen, sterling, Swedish kronor and Swiss francs - was about 30 per cent higher in early January than that on the CME.

However, the Chicago exchange is fighting back and now claims a 30 per cent lead in euro-dollar contracts after a surge in open interest last week. Total open interest on CME-listed euro-based futures stood at about 22,400 at the end of last week.

Open interest in Finextraded euro futures bas now reached nearly 23,000. It had been some 2,500 contracts greater than that of its Chiago rival immediately after the euro's launch.

The CME started trading in euro contracts at the start of 1999, three months later than Finex. It said euro turnover had risen more quickly than its D-Mark contracts. It took only only six working days to reach 5,000 contracts while D-Mark contracts took three times as long.

Simex to launch Euroven Libor futures contract

recovers

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10.24° (#35)

The Singapore international Monetary Exchange (Simex) announced yesterday it will launch a three-month Euroyen Libor futures contract on February 22. The contract will besettled using the London inter-bank offered rate (Libor) computed by the British Bankers' Association. The contract specifications are similar to those of the existing Simex Euroyen future except that the existing contract is settled using the Tokyo inter-bank offered rate (Tibor) computed by the Japanese Bankers Association.

Simex said the launch of another Euroyen contract is in response to requests by members and their customers that arose from the divergence in the underlying Inter-bank market for Japanese interest rates, where the spread between Libor and Tibor benchmarks have widened signif-

The new contract will permit those who need to hedge their Libor-banchmarked exposure to do so efficiently in an open and regulated marketplace. The futures will be sized at Y100m per contract, with contract months listed in the March quarterly cycle for three years. The first contract month to be listed will be June 1999. Sheila McNutty, Kuala Lumpur

SECURITIES SETTLEMENT

Euroclear turnover up 18%

Euroclear, the Brussels-based system for settling and clearing cross-border trades in stocks, bonds and shares increased the turnover of settlements by 18 per cent last year to \$44,920bn. This pushed Euroclear's share of the market up to 73.4 per cent, making it a leading single "hub" for the euro-zone.

"The launch of the euro means that international counterparties are increasingly looking for a single access point for cross-border euro-zone transactions." Denis Peters of Euroclear said. The rate of volume growth almost doubled last year, compared with a 10 per cent increase in turnover in 1997.

The value of securities that Euroclear holds in its custody reached a record \$2,616bn, an increase of 15 per cent. The average value of daily settlement instructions in the Euroclear system was \$170bn. "Euroclear depot growth in 1998 was the result of further market penetration, primarily in domestic securities, despite disinvestment made by major Euroclear participants located in Asia," the company said.

Mr Peters said domestic debt and equity accounted for 65 per cent of Euroclear's turnover. He said 64 per cent of these transactions were denominated in the euro-zone currencies. Euroclear in particular had settled more deals involving German domestic debt than any other clearing system. However, it is also planning to extend its services to include US-listed equities held by investors based outside the US. Arkady Ostrovsky

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HypoVB makes €2.23bn offer of CLOs

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E AUSTRALIAN DOLLARS

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NEW ISSUES By Edward Luce, Capital Markets Editor

HypoVereinsbank, the second largest German bank. has joined the roll-call of European banks to issue collateralised loan obligations with an €2.23bn offering.

The bond, the second pubafter a large issue from Deutsche Bank last year, bourg balance sheet. Other German banks, including Commerzbank and Dresdner. are thought to have issued privately-placed CLOs.

Sachs, joint lead manager, said HypoVB was expected to issue more asset-backed deals. It is thought to have a near future. "You must Luxembourg loan portfolio remember that many contiseveral times bigger than yesterday's offering.

The bond, which was rowers and these can only be based on 1,800 loans ranging unravelled slowly," said one. from DM1m to DM25m, is unusual in containing a bul- owned Austrian utility, let maturity, which is much made its debut in euros with

DEMCHI

maturities offered on many other CLOs said the official. The multi-tranche offering was structured more like a credit card securitisation given that almost all the loans were to high-net worth individuals. There were also

Many bankers have placed lic CLO by a German bank great hopes on the rapid growth of Europe's asset backed market this year was based on its Luxem- after the launch of the euro. Most European banks have lower returns on equity than their US counterparts and securitisation allows them to remove unexciting items

> However, some officials warned against great expectations for the market in the nental banks still have close

Energie AG, a partly state-"cleaner" than the variable an €150m offering. It chose

some loans to small and medium-sized German companies in the portfolio.

An official at Goldman from their balance sheets.

relationships with their bor-

mark, which enabled it to offer the bond at a yield points after launch. spread of 50 basis points, compared with 59 basis

to price the deal against the points if it had used the Ger- because benchmark yields French OAT 10-year bench- man benchmark. The issue tightened by two basis

622.3m, 3ME +100bp; Cless D, 63.5m, 3ME +250bp. b) 3-mth Libor +12½bp. c) 3-mth Libor fat. d) Fungble with \$100m. Plus 11 days accrued. e) Spread relates to German govt bonds unless stated. f) 3-mth Euribor +10bp. g) issuers option to convert on 22½004 into zero-coupon bond redeemable at 180%. g) 134% in 1, 7% in yrs 2-4, 4% in yr 5, then 81-10bp. g) convert on 22½004 into zero-coupon bond redeemable at 180%. g) 134% in yr 7, 17% in yrs 2-4, 4% in yr 5, then 81-10bp. g) Cover interpolated yid. g) Dr20bn incr to Dr40bn. [1] Structured. s) Short 1st coupon.

are so low," said the official. "Fund managers are moving from AA rated offerings to "Investors are looking to single A for just that reapick up spread in euros son," he said.

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Belghens	01/00	4.000 5.750	T00.9600	2.96 3.91	+0.01	+0.03	-0.14 -0.14	-1.07 -1.22	III 1,000
Canada	12/00	5.000	100.2500 107.2500	4.83 5.01	+0.03	+0.05	+0.12	-0.21 -0.28	Strike Prica
December 18	11/00	9,090	109.4100	141		+0.02	-0.41 -0.20	-0.50	110 111
Fielend	98/00 94/08	4.000 8.000	121.6200	290	+0.02 +0.04 +0.06	+0.09 +0.07	-0.18 -0.10	-1,41 -0,79	112 113 Est val 1
France	07/00	4.000	101.4200	3.91 2.95		+0.06	-0.22	-1.17 -1.05	Germa
	10/05 10/08 04/29	7.750 8.500 5.500	125.3700 138.0000 113.5800	3.75 4.85	+0.07 +0.01 +0.02	+0.07 +0.67 +0.06	-0.13 -0.13 -0.11	-1.33 -1.32 -1.01	E 90 11
Germany	06/00 10/05	4.000 6.500	101.3700 117.4200	294 152	-0.03	+0.05	-4.15 -0.19	-0.91 -1,32	Mar
	07/06 01/28	4.750 5.825	108.0700 115.1200	3.72 4.66	-0.01	90.0+ 80.0+	-0.15 -0.21	-1.35 -1.02	MOTH
Gracce	03/00 03/08	9, 3 00 8,600	99.7494 116.8295	10.00 8.18	+0.05 +0.03	+0.04 -0.87	-0.15 -0.77	-5.63 -4.98	Mar
inited	10/01 05/08	6.500 6.000	108.7200 116.4300	3.09 3.90	+0 01 +0.02	+0.06 +0.06	-0.17 -0.12	-1.60 -1.43	m nots
Yes	04/01 07/03	4.500 4.500	103,0508 104,4700	3.03 3.40	+0.03 +0.10	+0.08 +0.14	-0.24 -0.04	-1. 5 3 -1.60	
	05/08 11/27	5 000 6.500	108.4500	3.90 4.82	+0.02 +0.01	+0.04	-0.06 -0.07	-1.52 -1.11	Mar Moto
Japan	12/00 12/03 06/06	6.900 4.100 1.808	111,3480 111,4880 96,1640	0.75 1.63 2.26	+0.10 +0.19 +0.24	+0.19 +0.39 +0.83	-0.06 +0.11 +0.25	-0.06 +0.19 +0.40	Mar
Notherlands	03/18	2,700 9,000	94.9800	3.05 2.93	+0.24	+0.49	+0.28	+0.40	Also trade
New Zupland	07/08	5.250 8.000	111.2800 105.7304	3.80 4.95	+0.04	+0.05	-0.15 -0.21	-1.23 -2.35	itały ■ MOTM
Marwey	05/09	7,000 7,000	111.5410 104.6500	5.53 4.80	+0.10	+0.03	+0.06	-1.22 +0.55	Mar
Pertugal	01:07 83:06	6.750 5.375	113.1500 102.5500	4.72 3.02	+0.07	-0.14 +0.08	-0.62 -0.13	-0.56 -1.30	Spain
Spain	06/08 04/00	5-375 6 750	111,2300 104,3400	3.92 2.94	+0.01	+0.05	-0.14 -0.14	-1.42 -1.36	III NOTI
Sweden	01/08 05/00	10.250	115.8300 108.2987	3.85 3.28	+0.01	+0.08 +0.04	-0.10 -0.25	-1.43 -1.48	Mar Jon
Suitserland	95/98 95/00	9.500 4.500 4.250	104.0600	1.41	+0.05	+0.08	-0.14 -0.06	-0.20 -0.20	UK
ÜK.	01:08 11:01 12:03	7 000 6.500	105.1400 109.8900	2.27 4.50 4.22	+0.03 +0.03	+0.01 -0.01	-0.09 -0.10 -0.17	-0.65 -1.99 -1.96	E HOTK
	10/08 12/28	9 000 6.000	137 6600 129.8900	4.20 4.23	+0.02 +0.03	+0.01 +0.04	-0.18 -0.03	-1.85 -1.85 -1.83	Mar Jan
U S	09/00 08/03	4.500 5.250	99.5587 102.0101	4.78 4.75	+0.06	+0.11 +0.10	+0.17 +0.11	-0.61 -0.81	A NOTE
	05/06 98/26	5.625 5.500	105.4141 102.5132	4.89 5.33	+0.05 +0.05	+0.12	+0.16 +0.15	-0.67 -0.57	No.

10 YEAR	RFM	HM	uk s	PKE	พร			
		Spread	Spread				Spread	Spread
	Bid	45	VS			Bid	42	18
Reb 2	Yield	Euros	1-Bonds			Yield	Euros	T-Bands
Anglesia	5.12	+1.42	+0.32	Netherl	ands	3.83	+0.13	-0.97
Austria.	4.00	+0.30	-0.80	New Z	safend	5.54	+1.84	+0.74
Belgium	4.00	+0.30	-0.80	Hurtes	,	4.77	+1,07	-0.03
Carrecta	5.02	+1.32	-0.22	Portug	Í	3.97	+0.27	-0.83
Denmark	4.05	+0.35	-0.75	Spain		3.99	+0.29	-0.81
Roland	3.92	+0.22	-0.88	Swede		4.04	+0.34	-0.78
France	3.77	+0.07	-1.03	Switze		2.38	-1.32	-2.42
Germany	3.70	_	-1 10	UK		4.18	+0 48	-0.62
Greece	6.10	+2.40	+1.30	US.		4.80	+1.10	
kuland	3.93	+0.23	-0.87	Source	interaction Co.	off bis	100500	
Enly	3.91	+0.21	-0.89		clastra. Nev			
Japan	2.29	-1.41	-251		ed yield bests			
EMERGIN		RKE		VDS				
						034,8	Min's	Sord
	Red ·		8 & P	Bid	Bld	chge	cinge	15
Feb 2			Rasing	price	yield	yki	yed	UŠ

84.8300 84.8417 197.5207 -0.20 -0.33 -0.08 7.750 988+ 8.750 88+ 7.750 888-102.4424 94.3037 101.0672 +0.06 -0.06 -0.05 +0.14 -0.03 -0.73 7.30 9.41 7.57 5.50 9.02 11.74 -0.37 -0.07 -0.17

8.98 14.58 8.71 11.15

-0.12 -0.22 +0.03 +0.13

BOND FUTURES AND OPTIONS

	Open	Sett price	Change	High	Low	Est. vol.	Open tist
lar	112.47	112.63	-0.31	112.73	112.24	52,928	92,128
LONG	TERUK EURO B	OND OPTION	S (MATIF)				
ونات	-	CALL	s ——	-		PUTS -	
rica	Feb	ida e	Г	-	Feb	Mar	-
10	2.66			- 1	0.04	-	-
11	1.76				0.13	-	-
2	0.97				0.34	-	-
3	0.41				0.78	-	-
MT DE	4, Cabo 2,372 Py	s 2,372 Pas	(COL) (COL) (C COL)	10t, Call 5	557 Pels 11,	320	
erma	Π¥						
	KÁL GERMAN R		es pite, d	M250,000 1	00ths of 10	0%	
	Open	Sett price	Change	High	LOW	Est, wal	Open int.
	116.73	117.19	+0.16	117.21	116.68	598,305	383,514
							-
NOTIO	NAL GERMAN (3081) (BORL	RITURES	(DTB) DN	250,000 10	Otis of 100	%
	Open	Sett price	Change	High	LOW	Est. val	Open Int.
B.	109.31	109.48	+0.07	109.50	109.25	157,234	194.091
							,
	441 160 CWAD	FITTURES (LPFEY Syr 4	.0% DM250),000 points	of 100%	
HOTTO	OF HA SEN					Est. voi	Open int.
NOTTO	Open	Sett price	Change	High	0#		
		Sett price 102.27	Change -0.05	High •	-	9	1040
ar	Ореп	102.27	-0.05	•	-	9	1940
ar	Open -	102.27	-0.05 JFFE: 10yr	4.5% DM25	50,000 point	9	
	Open NAL LFB SWAP	102.27 FUTURES (-0.05 JFFE: 10yr	4.5% DM25	50,000 point	9 s of 100%	

19gh 117,93

CRLS Apr 2.12 1.78 1.43 1.14 0.89 0.68 1.98 1.98 1.67 1.39 1.14 0.92 0.28 0.46 0.74 1.01 1.36 1.78

We want your business.

INTERNATIONAL BONDS **US CORPORATE BONDS**

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Feb 1	Red date	Compn	S&P Rating	. Eld	yleid	chge yld	caga: yid	eovts
a wines		 	r. []		:. '	- :. - :.		. ::
Pac Bell	07/02	7.25	AA-	106,1286	5.26	+0.02	-	+5.26
MY T#I	22/03	7.00	A+	102,7793	8,72	+0.08		+2.08
CWE	05A08	8.00	BBB	115,4129	5.82	+0.02	-0.02	+1.08
THE PROPERTY :	ī			1.4.14.2	· · ·	• :	.=	
GECC .	05/07	8.75	·AAA	120.5686	5.61	+0.09	+0.09	+0.87
Banc Ose	06/02	7.25	A	104.6776	5.68	+0.05	+0.06	+5.68
CNA Fin	01/18	6.95	A-	97.1635	7 <u>.22</u>	+0.09	+0.04	+2.04
M MODERNALS			`-·:				·	
WMX Tech	0499		B68+	100.0300	5.93	+0.01	-	+1.57
Wei Meri	05/02	6.75		105.2407	4,99	+0.04	_	+4.99
Dayton Hod	06/21	9.70	A -	138.5052	6.56	+0.10	-0.06	+1.38
T ASSICES		::::				<i>;</i> - /	. : :	
FILMC	04/07	7.14	N/A	111,7158	5.35	+0.06	+0.09	
SLMA	03/00	7.50	H/A	102.5274	5.10	+0.01	+0.11	+0.74
FIGHA	81150	8.95	N/A	136,9902	5.73	+0.10	+0.04	+6.55
FFC8	06/06	8.95	N/A	121.7963	5.31	+0.08	+0.09	+0.57
E HIGH YIELD					<u>.</u> .	·····		
Stone Coat	02/01	9.88	В	101,8750	0.00	_	_	-
AK Se	12/01	9.13	BB-	107.5000	0.00	-	-	-
Pacalta	96/04	10.75	B-	76,5000	0.00	-	-	
NY latest. Standard &	Poer's rating	p. Thirtie :	eni maai	bests,	Sauce	pripacipu	DesayFf in	formelion.

US INTEREST RATES

9.500 8.500 10.625 118.9621 114.1828 102.1857 5.42 5.35 5.28 5.52 +0.07 +0.07 +0.04 119,2000 113,0188 101,9500 100,0099 3.750 3.250 6.750 1.711 103.7739 103.9044 109.2290 99.6628 AAA AA aka aka 3.26 1.92 2.55 1.50 5.250 5.750 4.750 0.516 AA 113.1161 AA 114.4429 A 110.7355 AA 100.0471 0.97 1.04 1.58 0.42

7.125

6,000 6,500 7,750 8,000

UK BONDS																	
TSE Actuaries	Gove	emme	ent Se	curit	ies			٠.								: UK In	Idice
rice indices K Gillis	Tue Feb 2	Day's chge %	Accruad Interest	अर्थ क्यों प्रस्ते	Total Heturn	Dura Years	ion Yield	% Weight	Index-Relayl			Tom Feb 2		Accrued interest	xd adj ykd	Total Return	% Walgh
Up to 5 years (17) 5-10 years (11) 10-15 years (7)	122.55 174,14 189.00	-0.04 -0.55 -0.16	2.23 2.21 1.53	0.64 0.88 1.34	1206.58 1354.61 1480.54	2,39 5,89 8,77	4.52 4.27 4.31	33.87 29.34 13.52	1 Up to 5 y 2 Over 5 ye 3 5-15 year	Sert (S)		228.78 280.31 243.97	0.04 0.23 0.17	1.58 1.33 1.85	0.00 1.33 0.50	1177.57 1409.53 1312.41	74,99 85,01 42,90
5-15 years (18) Over 15 years (4) Irredeemables (4) All stocks (43)	178.46 237.31 335.03 168.94	-0.13 -0.24 -0.67 -0.13	2.01 2.70 2.48 2.30	0.87 0.00 1.07 0.88	1390,73 1613,25 1950,65 1371,52	6.85 11.83 23.75	4.29 4.33 4.49	42.86 22.47 0.79	4 Over 15 ; 5 All stocks	19673 (4)		275.19 254.10	0.29 0.20	0.71 1.37	2.29 1.10	1499.00 1376.79	
	Feb 1 Y			hadices		7.02 Feb 1	4,34 Yr ago	190.00	Real yield			# 0% Feb 1 1				ion 5% -	- Yr ago
) yrs 4.35	4.25 4.30 4.33	6.29 6.12 6.09 6.08	High	15 yrs 15 yrs	4.49 4.34 4.49	4.46 4.32 4.46	6.19 6.09 6.19		Up to 5 yes Over 5 yes 5-15 yes Over 15 yes	2.99 · 2.08 2.11 2.03	3.34 13.23 9.81 16.89		3.68 3.27 3.36 3.23	2.20 1.86 1.84 1.88	3.36 13.34 9.86 16.99		2.90 3.06 3.04 3.07
upon Bunde Mediunic 8%-10 l'Florad Indices		11% and	com. † 75d	l ylekt. yt	d Year to de	.			All Stocks	2.10	11,68	212	128	1.88	11.81	1.89	3.05
Safe.	9 Feb	1 Jan 1	90 Am 9	26 km	27 Hr and	- 1844		,									

116.53 116.78 117.02 116.88 116.93 103.02 117.17 93.31

JR UILIS	2 F	าแบ	-0																	
Hob	- YI	ekt_ Red	Price E	+er-		week_		Yie		Price S	+&-	., 52 High	week	- Christian	- Yie		Price C	+01-		ـــ (دون ـــ (دون
da" (Livera ap to R												7				14	rited &	74		
s 91 ₂₉ 0 1999			100 0000		100 96	100.00	Coter 91-2005	7.44	4.31	127.7831	1602	125.16	717.84							
8 Pilg Rade 1999		-	100.0510	+0057	100.29	100.02	The sel consent c	7.77	4.36	135.1291	~.HXII	135.46	124.50		1.72	3.06	196,7295	+ 9057	198.15	189.50
12 ¹ cpc 1999	_1214	5.60	100,8291	0265	105.82	100,00		927	432	134,0022	1378	135.55	127.AD	21200 101	252	294	234,2615	+.0037	205.40	100.00
s 10 ¹ 2pc 1999	_ 10 X	534	101,4438	-,0196	101.00	101.44	Tree 8/201 2005	901	42	124.0518	-,1007	1252	113.85	21292 103 778.5				+.1128	21Y A3	193.00
s Opt: 1898	- 59	5.211	00.4047%	+.0048	100.46	98.54	Coor 94pc 2006	(20)	4.31	133,440/	~3000	136.21	123.61						134.27	12.00
10-494 1000	_ 48	2.12	100,5452	-12313	708.07	103.62	Trans 7% pt 2006	746	120	127.92903	1497	124	108.96		1.57	1.82	235.6816		25.周	
							Trees 8pc 2002-6	/.19	400	111.3121	125	111,73	184.96		1.80	1.52	218.4947	+.3072	216.49	107.17
							Trans 7120c 2005	6.19	42	127.1196	-,1576	121.62	106.B3	2 ¹ -96 11					229.76	195.20
							Trace 11 Apr. 2003-7	522	4.04	125.9216	0865	126.29	11981						103.19	
							Trians 81 ₂₀₁ ; 2007	颸	433	129,2397	-1880	12020	116.17		1.86	1.90	219.8110	+.4722	213.81	176,04
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							Trans 13 ¹ 200 2004-8 * Trans Spc 2008								1.55	1.92	184,9750	+5825	184.87	143.49
13nc 2000	117	44	111 0967	-045	714 98	110 58	Tress 8pc 2008	653	4.20	137,9090	-1152	139.52	122.15	41400 30(135.1)	1.82	1,87	183,6368	+.6600	185,63	141.30
8 8pc 2900	7.9	4.81	175.5442	-0393	1/15 M	102 27	Mas 400 2009	6.06	4.22	132,0999	-1445	132.81	115.25	•						
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	T 10	1.00	11.20/22	-1855	שנווו	107.55	1000 30C 2U12	6.13	4.371	40.047900	- 7770	147 74	178 R4	March and have been ad				~ BI L	100 44 6	-
6 chr 2001	- 97	130	100.1003	-10010	RUDAI	100.71	INDEX 51-02.73311-17	4.23	48	1116078	-2me	119 SE	04 07	1907. Carrentes factor :	1965	附板	New 1998	1635 8	ad for Do	الباوي
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7pc 2002	T ONE	4.5	1123816	-4000	110.71	LIUUD	Titles 71.00 9019 45	584	4,47	12726	-2026	133.68	114.42							
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9 lac 2002	. 134	4.54	115,0806	-0700	117.25	171.16	Over Filters Years Tress Are 2015							Other Fixed Inte	rest					
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(100 عبة د	_ 6.88	4.33	114,4148	-,1125	114.74	106.50	12pc 2013-17,	6.54	4.36	100.5273	-27tg	183.80	158.64	Notes	14		Price S	+01-		ige.
10nc 2008	_ A 19	496	131 1472	-1177	172 53	115.44	Tribus Rev. 2021	574	444	100 1014	_ #750	150.00	-24							

CURRENCIES & MONEY

Yen recovers with rising bond yields

112

MARKETS REPORT By Florian Gimbel

REPORTED TO THE VET THE

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NEWS DIGINI

Defying the wide-spread gloom about Japan's economy, the yen rallied against

the dollar and the euro yesterday, largely because of a sharp rise in Japanese bond yleids. Amid fears of a flood of

new debt, Japanese government bond (JGB) yields climbed to their highest level since July 1997, with the yield on the benchmark 10-year JGB reaching a high of 2.31 per cent, up from Monday's 2.035 per cent.

Rising two per cent from overnight lows, the yen strengthened from Y115.1 to Y112.6 versus the dollar and from 130.1 to Y127.8 against indifferent to events in the the euro respectively.

Brazil's battered Real also staged a comeback yesterday, following the surprising announcement that economist Arminio Fraga was to replace the current central

POUND SPOT FORWARD AGAIN

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bank president, Francisco bond market. Lopes.

But the key determinant to the fate of the Real remains this week's negotiations with the International Monetary Fund. A team headed by Stanley Fisher is in Brazil trying to hammmer out a working solution for the country's ailing econ-

omy. Two statements by Japanese officials exacerbated the bearishness in the Japanese government bond market, thus supporting the rise in the yen.

Finance Minister Kiichi Miyazawa said long-term interest rates should be decided by the markets, which Tokyo traders took to mean the government was

	TOURD IN	MEW TUKK
Feb 2	Latest	~ Prev. close —
: spot	1.8415	1.8405
mψ	1.6403	1.6385
वस	1.6388	1,6360
_	1 6979	4.0500

19.9665 19.9665
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20.0554 58.7950 10.8373 1.6660 9.5605

2,8513 458,276 1,1479 2822,08 58,7950 3,2119 12,5241 292,193 242,500 12,9673

The yen also received sup-port from comments made by Japan's top financial diplomat, Eisuke Sakakibara, at a symposium sponsored by the Institute for International Monetary Affairs.

He expressed worries about the global economy and rising trade frictions, and suggested that Japan's banking crisis would be over in a couple of weeks if regulators and bankers decided to prop up top-tier banks through a massive infusion of public firms

Sterling also moved higher, in the face of persistently sluggish euro-zone economies. In its steady ascent against the euro, sterling has already gained more than five per cent since the launch of the single currency. It finished at £0.69 in London, from £0.689 previ-

18,5846 8,4248 9,2945 2,7713 483,534 1,1159 2743,55 57,1587 3,1525 12,5462 284,068 235,757 12,6152

The Reuters euro-zone Purchasing Managers Index, behind today's rise in the published yesterday, con-

ery [of the Japanese econ-Boston in London.

moves against the euro as since January 22.

firmed the relatively bleak economic outlook in Europe. The index was at 47.8 in January from 47.0 in December indicating continued contraction in the manufacturing sector.

-0.0536 151 - 225
-0.1572 187 - 385
-0.0363 484 - 515
-0.0231 348 - 387
-0.0237 348 - 387
-0.0257 533 - 786
-0.0077 220 - 230
-1.9250 710 - 310
+0.0064 413 - 422
-7.5400 476 - 581
-0.1572 187 - 386
-0.0064 402 - 414
+0.0208 710 - 785
-0.7810 512 - 621
-0.6400 492 - 583
+0.0020 190 - 280
-0.0041 088 - 088
+0.0055 456 - 684
+0.0055 456 - 684

■ Analysts remained divided over the significance of the most widely cited reasons

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(Peso) (RS) (CS)

ket apparently sees a recov- London.

But others disagreed. "The rise in bond yields does not reflect a sea-change in funwould have seen substantial

In this case, we would have seen a self-off at the



35.5140 6.5462 5.2344 5.7748 1.7218

281.240 1.4335 1704,61 36.5140 1.9401 7.5589 176.500 146.480 7.8035 1.4085 1.6410

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\$5,7310 6.5850 5.2654 5.860 1.7324 284,800 1.4423 1715,00 36,7310 1.9519 7,8796 1.4218 1.6499 1.1383

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1.5736 7,7500 42.5020 8880.00 4.0814

4.0514 115.150 3.6000 1.8437 36.7000 3.7907 1.6955 6.0325 1174.00 32.3400 36.8000

"The increase in JGB front end of the Japanese yields reflects a change in yield curve, which did not fundamental expectations, happen," said Kit Juckes, rather than just fears of a head of bonds and currenflood of new debt. The mar- cies at NatWest Markets in

omy] that is not yet MCrisis-torn Brazil stunned evidenced in the actual currency markets yesterday data," said Peter von May- when it announced a new dell, senior currency strate- president of its central bank gist at Credit Suisse First for the second time in three weeks, appointing a former aide to billionaire speculator George Soros to the top job.

The Real rose 9 per cent damentals. Otherwise, we during the day to R\$1.75 versus the dollar, its strongest But all eyes remain on the

International Monetary Fund and the possible outcome of negotiations on a fiscal reform package.

"This is a very crucial week for Brazil," said Mr Juckes.
He added that currency

markets would wait and see how effective the central bank's new governor would be in setting policy.

34,8178 6,4478 6,1375 5,6617 1,6681 294,535 1,671,21 34,6178 1,0021 7,6356 173,038 143,61 1,2599 1,5416 1,1586

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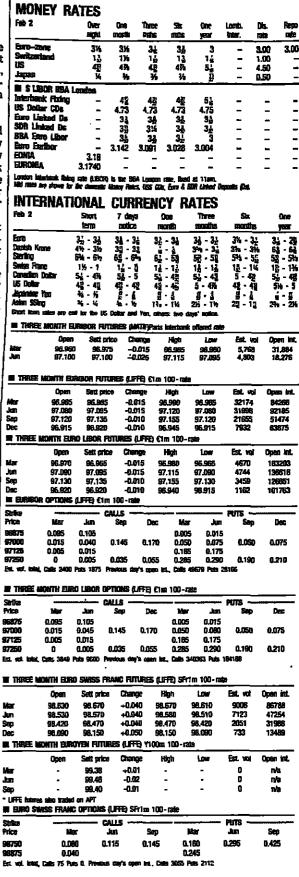
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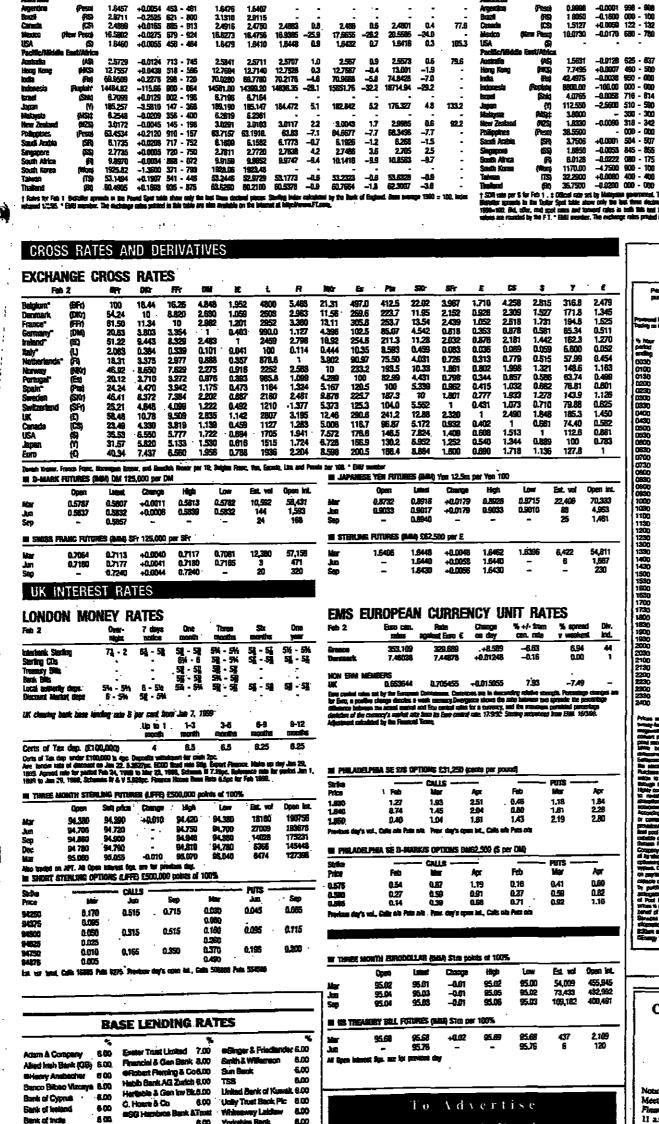
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Melanie Miles on

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CHUGAI PHARMACEUTICAL CO., LTD.

Notice to the holders of the outstanding U.S.\$50,000,000 3% per cent. Bonds due 2000

CHUGAI PHARMACEUTICAL CO., LTD.

Notice is hereby given to the holders of the above Bonds that, at the adjourned Meeting of such holders convened by the Notice of Meeting published in the Fhancial Times and the Lazemburger Wort on 7th January, 1999 and held at 11 a.m. (London time) on 22nd January, 1999, the Extraordinary Resolution set out in such Notice was duly passed.

set out in such Notice was duly passed.

Accordingly the modifications to the Terms and Conditions of such Bonds and the Triest Deed constituting them referred to in such Notice will be made with affect from 1st February, 1999 by means of a Supplemental Trust Deed, From 1st February, 1999 Asahi Bank (Netherland) N.V. will no longer be Trustee and Custodian of the Bonds and The Bank of Tokyo-Mitsubishi Trust Company will be appounded as Trustee and Custodian of the Bonds. The Bank of Tokyo-Mitsubishi Trust Company can be contacted at 1251 Avenue of the Americas, New York, NY 10020-1104 (Fax: 1-212 782 5901).

SHOWA HIGHPOLYMER CO., LTD.

Notice to the bolders of the outsta ¥3,000,000,000 0.7 per cent. Convertible Bonds due 2006

SHOWA HIGHPOLYMER CO., LTD.

Notice is hereby given to the holders of the above Bonds that, at the adjourned Meeting of such holders convened by the Notice of Meeting published in the Financial Times and the Luxemburger Worz on 7th Japuary, 1999 and held at 11-30 a.m. (London time) on 22nd Japuary, 1999, the Extraordinary Resolution status in table Notice was duly research. set out in such Notice was duly passed.

Accordingly the modifications to the Terms and Conditions of such Bonds and the Trust Deed constituting them referred to in such Notice will be made with effect from 1st February, 1999 by means of a Supplemental Trust Deed From 1st February, 1999 Asabi Bank (Netherland) N.V. will no longer be Trustee and Custodian of the Bonds and The Bank of New York, London Branch, will be appointed as Trustee and Custodian of the Bonds. The Bank of New York London Branch, can be contacted at 46 Berkeley Street, London W1X 6AA

Tel: +44 0171 873 3349 (Fax: 44-17) 322 6399). Showa Highpolymer Co., Ltd. Fax: +44 0171 873 3064

Crisis leaves shipowners in financial doldrums

The Asian recession has left freight rates at 12-year lows and many owners cannot cover their costs, says Paul Solman

hipowners in the dry that carries such goods as Ocontinuing to feel the effects of the Asian crisis, which has savaged the world commodities trade that is the backbone of their industry. As freight rates remain around their lowest for 12 years, many owners cannot

even cover their costs. The fall in freight rates began in 1997, when Asia's demand for commodities dipped. The Baltic Freight index, a basket of rates on the world's leading routes. went into steep decline, hitting 776 points at the end of last year, its lowest since 1986. Two years earlier, it had reached 2,352.

"The main engine for the dry bulk cargo market is the Far Rast where countries such as Japan and South Korea import large volumes of commodities and raw materials for industrial production," says Ole Storer, analyst at Morgan Stanley.

At the same time, the supnly of new vessels continued unabated, helped by a weaker yen that brought down shipbuilding prices in

the big yards in Japan. As owners found themselves chasing fewer cargoes and smaller fees, the value of their ships began to drop. In 1995, a five-vear-old class of dry bulk cargo ship time in 1997.

bulk cargo market are grain, iron ore, coal, bauxite and fertiliser - was worth \$20m. By the end of 1998, it had fallen to \$14m. A new Panamax was worth \$30m at the end of 1995; three years later it had slipped to \$23m.

"Shipowners were hit by a double whammy," says Alan McCarthy, senior vice-president of specialist shipping finance company Tufton Oceanic. "Too many ships were coming out of the yards. Then the Asian crisis hit and demand fell away."

Traditional shipowners who relied on rising ship prices as a cash generator have been unable to make money in the current market, according to John Banaszkiewicz, director of SSY Futures, part of the SSY ship-broking group.

"Many owners also failed to take cover from the changes in the market by hedging their positions with long-term physical contracts and freight derivatives," Mr Banaszkiewicz savs.

Dry bulk cargo shipowners remain in a precarious position. Average freight rates from the US Gulf of Mexico to Japan, one of the benchmark Panamax grain routes, were \$13,65 a tonne at the end of last week compared with \$20.23 in January last year and \$25.51 at the same

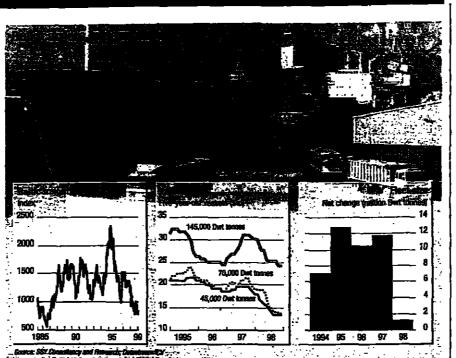
Industry sources say many owners are not even breaking even. Some estimates suggest a typical shipowner's earnings are falling below interest payment requirements by as much as \$6,000 à day.

"Many owners are only marginally better off than they would be if they laid up their ships," says Mr Storer of Morgan Stanley.

Those who ordered new ships before the Asian crisis are facing huge debts for vessels that cannot find customers. For some, financial deep water has led to vessels being seized on the instructions of their banks.

ome blame the expansion of shipping finance Oin the past two years, especially through junk bond issues. In 1998, shipping companies overtook airlines as the largest issuers of bonds in the transport sector, according to a recent survey by Standard & Poor's, the credit rating agency. Of Parker, global shipping the 34 ocean shipping comindustry head at Cittbank, panies rated by S&P last year, only five were given

investment grade. "In the 12 months to June last year, a great deal of is a fallacy. About \$50n went money was raised for shipowners through junk bond issues, despite the fact that the Asian crisis had already begun," Mr Storer says.



Mr Parker believes the sit-

uation is not yet as serious

as the previous dry bulk

cargo crisis of the mid-1980s.

"It was obvious we were heading for recession, yet tremendous gearing was achieved in an industry that has always been volatile at the operating level."

banks are more sanguine. the fact that some shipowners have hit a wall in terms of their ability to pay off their debts," says Michael

"and many lenders have pulled back for that reason. "But the damage from the expansion in bond financing into high-yield bonds last year compared with \$2bn in 1997. But that was a small

proportion of the \$100bn of

financing in the sector."

This point is echoed by the director of shipping at another leading bank. "The Not surprisingly, perhaps, shipping industry is cyclical. "There's no doubt about Many owners have had good years to build up their cash reserves," says the director. "Some will even see the crisis as an opportunity to acquire tonnage at reasonable rates," he adds.

Many in the shipping industry agree that an upturn could be some way off. Freight rates have recovered a little ground in recent weeks, and the BFI settled yesterday at 803 points, still substantially lower than the average of 1,314 in 1996 and

There are also signs that the new buildings end of the industry has begun to react to the downturn. A net 1.3m tonnes capacity was added to the dry bulk cargo fleet last year, against 11.8m in 1997 and 10.6m in 1996.

"All is not doom and gloom," says Mr Banaszkiewicz of SSY Futures. The prospects for 1999 are still bleak but we could see a recovery in 2000. It depends on an increase in world trade and the scrapping of older vessels so that we can bring down the size of the

Other analysts also predict better times next year. But as Citibank's Mr Parker says: "Forecasting in the

NEWS DIGEST

INDABA MINING CONFERENCE

Tanzania tipped as the rising star of Africa

If Ghana is today's Chile, is Tanzania tomorrow's Ghana? Most of the speakers at this year's Investing in African Mining conference, Indaba 1999, are convinced it is. Chile has been the Latin American mining success story of the decade. Consultant David Williamson said it has set the pattern for African countries wanting to exploit their mineral wealth, through the easing of mining restrictions and

"a positive political background". However, he argued, most African countries are missing their opportunities. The Democratic Republic of Congo, Sierra Leone and Angola are mineral-rich, but political turmoil, war and corruption have left them on the fringes of mineral exploitation. By contrast, Ghana has shown investment can produce good returns. West African countries such as Mali and Ivory Coast have followed Ghana's lead,

as have Namibia, Botswana and Tanzania. Tanzania is Mr Williamson's tip as the rising star. It is only 13th in the African production league table, but he es it shooting up the rankings in the next few years. Last year, it attracted more capital expenditure than any other African country. Its first gold mine, Golden Pride, which cost \$48m to develop and is already in production, will be officially opened this weekend. It should produce about 180,000 ounces a year initially but will soon be dwarfed by Bulyanhulu, Tanzania's largest gold deposit and its only underground project, which is scheduled to produce more than 300,000 ounces a year by 2000.

At least three other new mines are expected to come into production in Tanzania within the next couple of years. Michael Kenyon, president of Sutton Resources, which is developing Bulyanhulu, estimated yesterday that, when all the new projects are on stream, Tanzania should be producing 1m ounces of gold a year.

Anglo American to expand

Anglo American, the South African mining group, intends to expand aggressively once it has finished its restructur-ing and has its London stock market listing this spring. Robert Danchin, chairman of the new mining business division, said he was looking for quality joint ventures, strategic alliances and acquisition opportunities.

The planned acquisition of the remainder of Minorco, Anglo's sister company, will give the group a global rather than purely African presence, and the UK listing should give it access to cheaper capital and widen the shareholder base. Dr Danchin said Anglo had budgeted \$75m : for exploration in Africa this year, even though the continent's recent economic growth had been disappointing.

Finance houses under fire

South Africa's mining finance houses have been a "terrible" investment" for US dollar Investors, said Des Klialea, mining analyst at Fleming Warburg. The houses were notorious for using good projects to fund bad projects, said Mr Kilalea. He cited Anglo as an example, but said inadequate "hurdle rates" (target returns) had been common in the sector. Companies need to stop cross-subsidisation and use cash flows properly. This means focus, transparency, and a concentration on risk-adjusted return, he added. Gillian O'Connor, Mining Editor, Cape Town

Soft commodity futures volumes up 41% on Liffe

MARKETS REPORT

By Paul Solman

Soft commodities futures volumes on the London International Financial Futures and Options Exchange were 41 per cent higher in January this year

COMMODITIES PRICES

LONDON METAL EXCHANGE

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BASE METALS

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compared with the same month last year. Robusta coffee rose 62 per cent, while white sugar was up 34 per cent and wheat rose 50 per cent, the exchange said yesterday.

Oil prices fell ahead of the latest US crude and refined product inventories data. March delivery Brent Blend was \$10.77 a barrel in late trading on London's International Petroleum Exchange, Cocoa and potatoes rose 28 down 11 cents on Monday's per cent and 26 per cent close, but prices were flat for

A recent cut in refinery result in a build-up of crude oil stocks.

The markets shrugged off 27.81m b/d. suggestions that there may an early attempt by key members of the Organisation Countries to boost prices.

Earlier a Reuters survey US producer, planned to runs in the US is expected to had reported that Opec out- restart 50,000 tonnes of put in January rose by 360,000 barrels a day to

On the London Metal Exchange, three-month aluminium failed to react to jumping \$80 to end at \$4,345 of Petroleum Exporting reports that Kaiser Alu- a tonne, while copper closed minum, the fourth largest up £17 at \$1,444 an ounce.

smelter capacity that had been put out of action by a strike. It closed at \$1,215 tonne, up \$8 on the day.

Nickel was also strong

MEAT AND LIVESTOCK **GRAINS AND OIL SEEDS SOFTS** Precious Metals continued JOTTER PAD ■ GOLD COMEX (100 Tray 62; S/fray 62) ME WHEAT LIFFE (100 topnest; E per topne) COCOA LIFFE (10 tornes, 576 III LINE CATTLE CINE (40,000lbs; costafins) \$3,850 +0.450 \$6,700 \$4.250 738 \$7,125 +0.825 \$7,800 \$5,725 191 \$7,275 +0.650 \$7,800 \$6,250 \$3 **CROSSWORD**

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PRECIOUS METALS

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Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CST, MYCE, CME, CSCE Jan 30 maath aga 1438.1 1477,7 # #SCI Spot (Bate: 1970 = 100)

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For solutions to today's crossword call 0891 430060. Calls cost 50p a minute.

No.9,904 Set by CINEPHILE

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FINANCIAL TIMES WEDNESDAY FEBRUARY 3 1999

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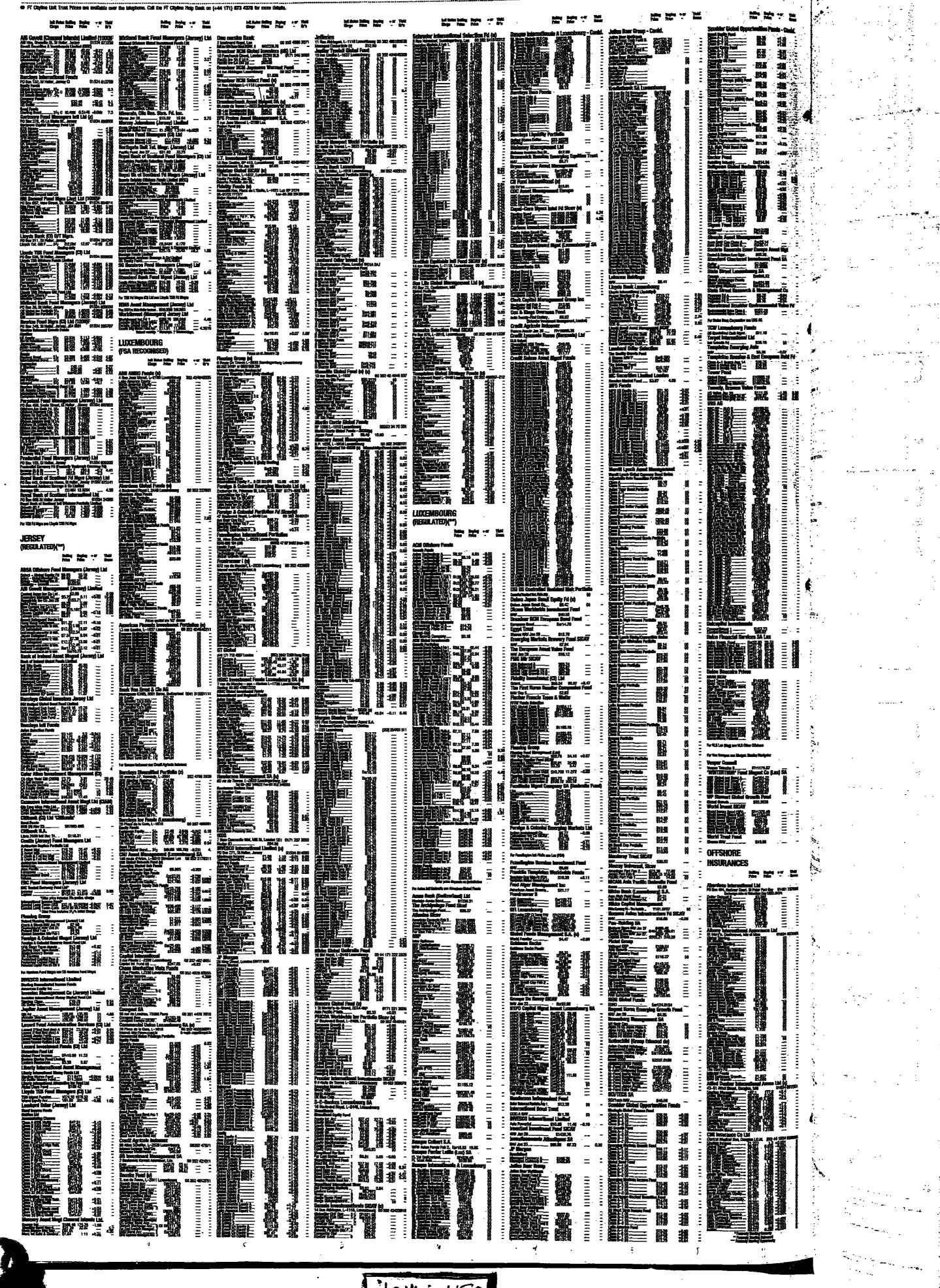
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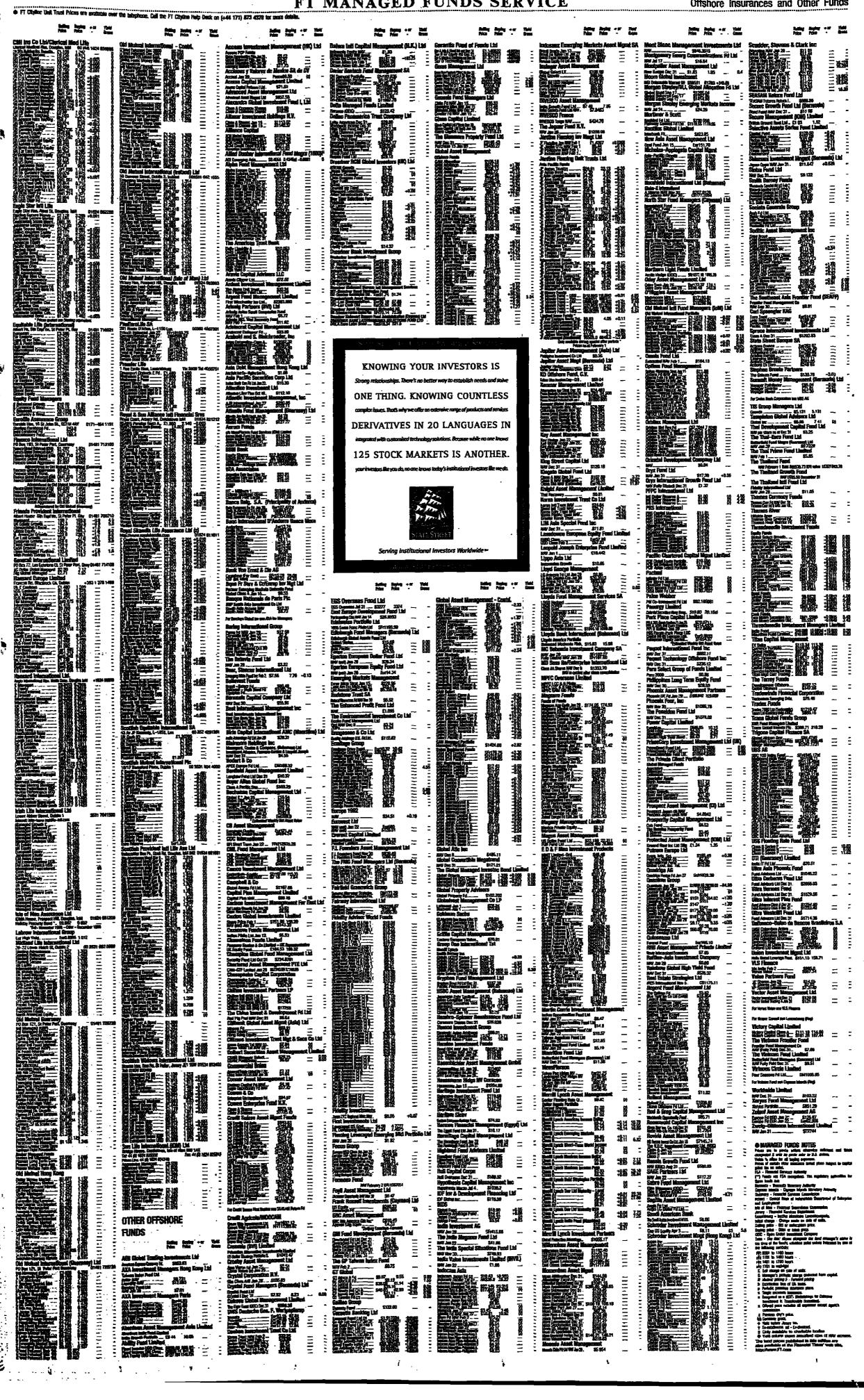
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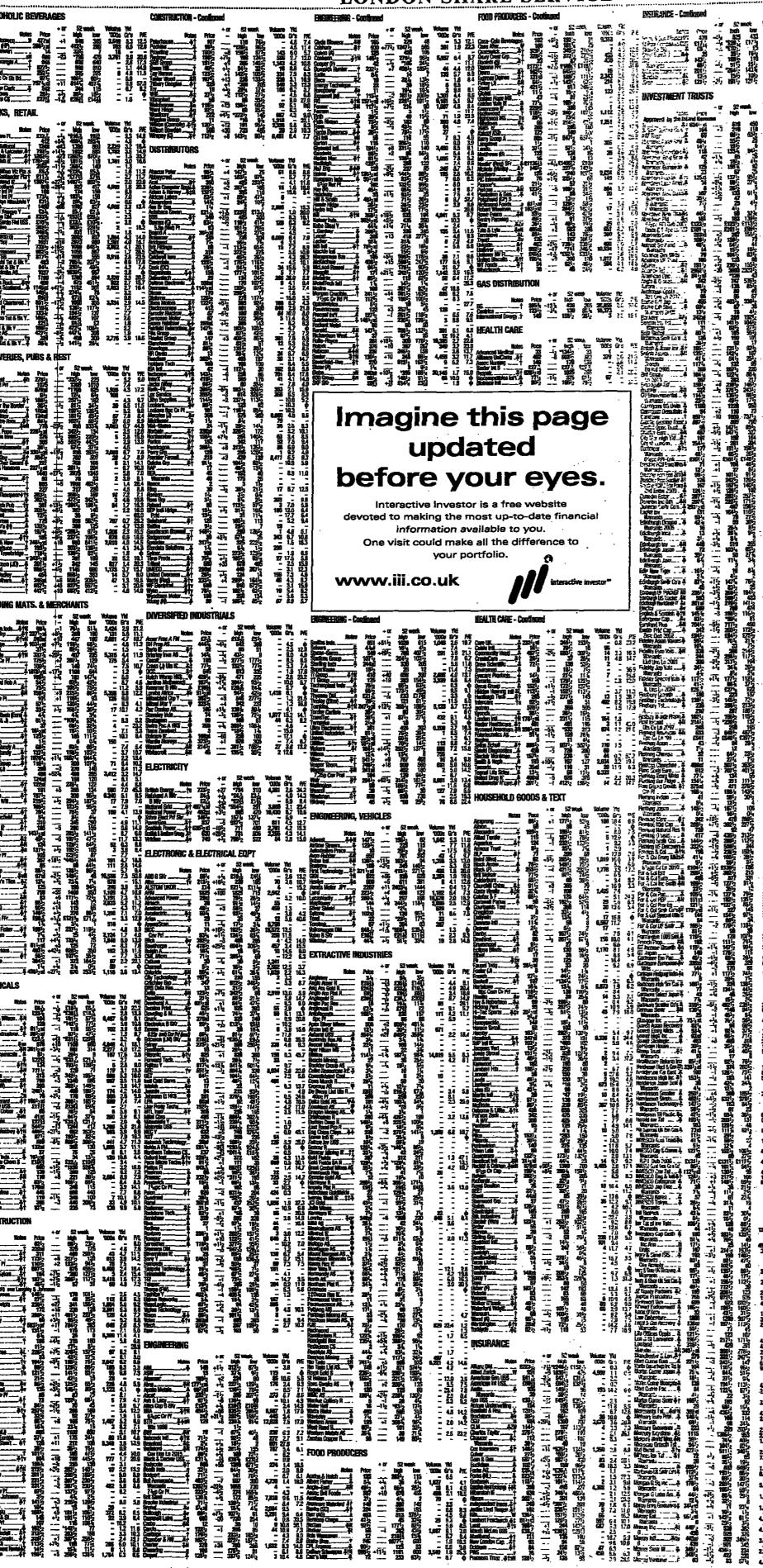
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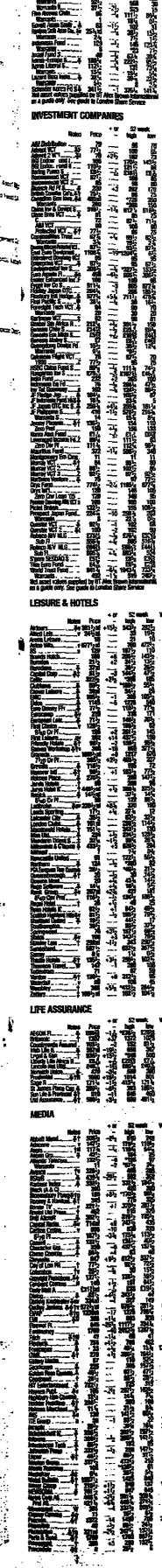
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OFF SHARE

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FINANCIAL TIMES WEDNESDAY FEBRUARY 3 1999

OTHER INVESTMENT TRUSTS

LONDON STOCK EXCHANGE

Bank takeover rumours trigger Footsie rally

MARKET REPORT By Steve Thomoson UK Stock Market Editor

While the London market's leading stocks mostly had a rare off day, suffering from flurries of profit-taking mostly induced by Wall Street, there was no stopping the medium-sized and smaller stocks.

A mixture of announced and rumoured takeover bids, plus a continuation of the "soft landing" economic argument, was behind the fresh surge in the FTSE 250 and FTSE SmallCap indices, settled 0.6 up at 6.013.0.

Allied

leaps on

bid talk

COMPANIES REPORT

and Joel Kibazo

Banks.

paper offer.

written off.

By Peter John, Martin Brice

Speculative energy, which

has been blowing through

the banking and financial

sectors for the past few days,

settled on Allied Irish

Takeover rumours have

been heard there before but

they hardened yesterday

with Deutsche Bank and

Lloyds TSB being fingered as

candidates prepared to pay

Analysts said Deutsche

Bank was an unlikely con-

tender as its recent acquisi-

tions left its capital ratios

looking very stretched, although it could make a

John Tyce at SG Securities

described a tie-up between

AIB and Lloyds as "conceiv-

able but not probable". He

pointed out that there was

no prospect of merger

accounting and £10bn of

goodwill would need to be

Others said Lloyds was

obviously looking to expand

because of the pressures of

the growing euro "superleague", but having an

expansionary bridgehead in

forward 73 to £12.621/4, a new

Nevertheless, AIB moved

Ireland looked strange.

£15 a share for the group.

both of which substantially outpaced the FTSE 100 in terms of total returns during January.

The FTSE 250 made rapid progress for a seventh session, finishing 93.5 up at 5,215.3, while the SmallCap pushed ahead strongly for a sixth consecutive trading day, closing 15.2 firmer at

As the market picked up the scent of more bid action, this time in the highly charged banking arena, the FTSE 100 ended a fraction up on the day and a long way above its session low. It

closing high on turnover of

The chatter about AIB was

only the loudest in a sector

hissing with talk. Some deal-

ers were saying that Lloyds

needed to do a deal and

could also look at the Scot-

tish banks or even Standard Chartered again. Royal Bank

of Scotland lifted 471/4 to

£11.45 and Bank of Scotland

26½ to 808p. Standard fell

17% to 851%p. Meanwhile, Lloyds lifted

14 to 817%p with 8.9m shares

Schroders, one of the UK's

merchant banks, gained 60

changing hands.

Early in the day, Footsie three-figure loss.

But rumours sweeping the market during the last 30 minutes of trading suggested that a bid for Allied Irish Banks was imminent, with Lloyds TSB and Deutsche Bank the favourites to make a move for the Dublin-based

The rest of the banking sector, which was badly affected last week by the prospect of an intensification of the mortgage price war, responded with gusto.

turned more positive on the

The bid approach at Weir

Group seemed to break the

dam holding back pent-up

demand for undervalued

engineering stocks as sev-

eral raced abead and achieved the best perfor-

This may mark a turning

point in market opinion.

which has shunned engi-

neering stocks for some time

on fears of the effect of ster-

ling strength and a slowing

recently that it is too soon to

While some brokers have

mances in the market.

global economy.

few remaining independent been warning clients

to £11.48 as Merrill Lynch buy cyclical stocks, Deut-

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Feb 2 Feb 1 Jan 29 Jan 28 Jan 27 Yr-ago 11 High 1 Low

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Jan 29 Jan 28

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stock.

below the 5,900 level, as it their attention on second came close to posting a and third-line issues, partly because of a year of underperformance in 1998 and partly because of the heavy weightings of engineering and building stocks in the

> Cyclical stocks, engineers in particular, were being chased sharply higher throughout yesterday's session as takeover action, so prevalent in the latter sector in recent weeks, continued

Bolidac Materials & Marchasts

sche Bank yesterday advised

clients to purchase "high-

quality, cheap cyclicals" and

CSFB's equity strategy team

talked of "a genuine turning

point in the global economy

and a turning point in sector

The engineering sector has

underperformed the market

by 35 per cent since June,

but has clawed back almost

10 percentage points of that

Weir was the best per-

former in the FTSE 250, ris-

ing almost 27 per cent or 621/2

to 294%p, taking it towards

its 52-week high of 314½p.

Other engineering-related

stocks that benefited

included BBA, up almost 15

per cent or 58 to 454\%p:

Meggitt, up 21½ to 171p; and

Cobham, which gained 77%

to 930p helped by positive

comments from Dresdner

Kleinwort Benson advoca-

ting exposure to the Airbus

project and defence con-

Deutsche moved from

'neutral" to "outperform" on

TI, which rose 40 to 410p,

and FKI, up 16% to 157%p. Deutsche told clients: "UK"

in the past few days.

leadership".

iunior indices.

Best and worst performing FTSE sectors

Dealers said the Institu- performers in the FTSE 100 250, with the latter led by Weir Group, the latest UK engineering group to face a

> Wall Street gave precious little support to global markets, as the Dow Jones Industrial Average followed up Monday's 13-point decline with another sluggish showing shortly after the New York opening. And the Dow posted a three figure fall as the US session wore on.

Markets now have to face a series of crucial interest in Frankfurt. Engineering/cyclical rate decisions, starting with stocks provided the top four the outcome later today of

on undemanding relative

It highlighted the exposure

of UK engineers to the US economy and said: "Resil-

ience in the US, combined

with a declining interest rate

environment in the UK,

leads us to recommend selec-

tively buying into the sector

However, one trader at

another European house

warned: "When the March

results season gets under

way, this sector is a place

you won't want to be.'

Glaxo disappoints

ments might disappoint.

forecast for peak sales of

Glaxo's new protease inhibi-

Although relatively small

in comparison with overall

group turnover, the reduc-

tion is the second Lehman

the Zantac ulcer treat-

On Monday, Lehman

pushed back its expectations

downgrade this week on one

ment patent

tor from \$500m to \$300m_

valuations."

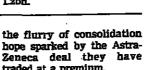
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the two-day meeting of the had threatened to slip back tions had continued to focus and the top nine in the FTSE US Federal Reserve's open market committee. Most economists expect the FOMC to leave rates on hold again.

The Bank of England's monetary policy committee begins its two-day meeting in London after which another 25 basis points reduction in rates is expected by the majority of market observers.

The third crucial interest rate decision will be made tomorrow by the European Central Bank which meets

Turnover in equities



BICC rose 17 per cent or 10% to 74p as speculation mounted Wassall was set to mount a 90p-a-share bid. Wassall was unchanged at

among the winners in the Owens, leisure analyst at Ladbroke looks better value.

Mr Owens forecasts 20 per Reckitt & Colman moved

up 50¼ to 870p after the departure of Vernon Sankey, chief executive of the household products group.

tion and a period of uncertainty was seen as providing the potential for a predator BSkyB fell 29% to 439%p

traded at a premium.

Ladbroke, the betting shops-to-hotels group, was FTSE 100, rising 8% to 228%p as leisure analysts highlighted the stock's attractions in the light of the William Hill flotation. Roy Sutherlands, said: "To us The William Hill flotation will promote the attractions of Ladbroke. Although hotels are out of favour at

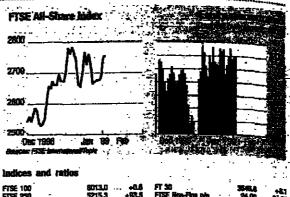
present, Ladbroke possesses a quality and valuable operation in Hilton International." cent upside in the share price in the medium term.

Glaxo Wellcome took a hit

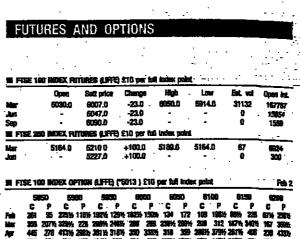
The company has often as word leaked out of an attracted takeover specula-Aids conference in Chicago that one of its new treat-The shares fell 57 to £20.63 after Lehman Brothers' anato strike. lyst at the meeting cut the

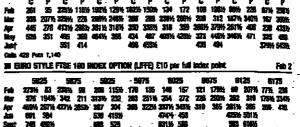
on concerns that the company may have to make conssions for its bid for Manchester United to be cleared.

Coca-Cola Beverages moved 91/2 ahead to 102p in trade of 9m, with Warburg Dillon Read, the company engineers, like many other of five new products expec- broker, said to have reiterquality cyclicals, are trading ted to drive forward Glaxo ated its positive stance followers. growth following the expiry lowing Monday's disposal of its Chilean and Peruvian bottling interests. Inchcape shares closed 6 off at 1431/2p



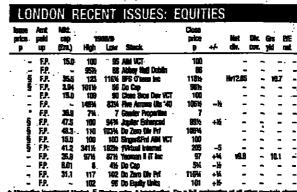






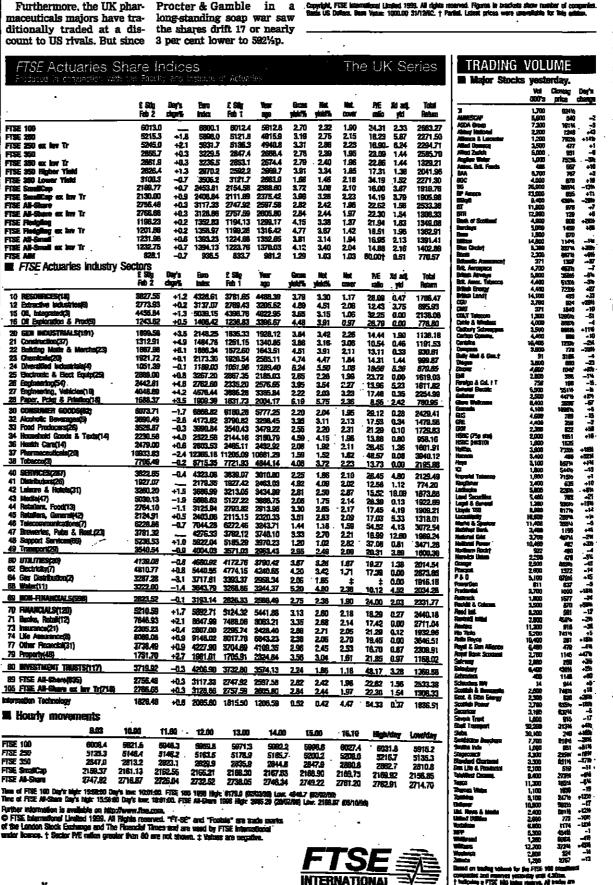
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Appericas (11)	85.07	34	RC5 64	1054.55	0.84	897.38	1317,41	847 B

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Highs & Lows shown on a 52 week basis

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US INDICES	GLOBAL EQUITY N	MARKETS	
US DATA	Dow Jones	JAPAN FRANCE	
1 29 28 High Low High Low Market activity	9400	Feb Feb Jan 1998,99 Since compileden Feb Feb Jan 1998,99 Since 2 t 29 Magis Low Magis Low 2 1 29 Magis Low Magis	f (1) of combigation
(8/7/59) (6/8/59) (6/8/59) (8/7/52) Fab 1 Jan 29 Jan 28 Home Bonds 106.40 106.45 108.64 107.17 104.69 (8/7/52)	SE. Feb 1 Jan 29 Jan 28 ons Traded 3,549 3,541 3,515 9300 A	Day's high: 14450.01 Day's lone 1425.56 Day's high: 4270.41 Day's lone 4225.47.	18.48 964.61
[8/12/56] (11/5/56) (5/12/56) (1/16/57) (1/16/	te 1,549 1,331 1,422 ;	■ TOKYO TRADING ACTIVITY Volume: \$24,250,000 N PARS TRADING ACTIVITY Volume ■ ACTIVE STOCKS ■ BIGGEST MOVERS ■ ACTIVE STOCKS ■ BIGGEST MOVERS	: 761,451,720
UMBLES 296.66 302.80 303.19 320.51 262.66 328.67 15.33 MASUAD 967.190 1063.46 1221.68 (47.03) (10.04)	Wilson 83 102 65 5 16 Latest Volumes : 798.840.000 9200	tracked brieze change priton change change is stand prico change priton o	clands cpdr y galls galls
Di Vol. Confr. Brig. 8573.05, 8457.18 Low 1886.01 (5172.18) (Thiomatcale) Day's high 9519.05 (Sate2.25) Low 8541.58 (8224.17) (Interesteale) Standard and Pours. B. AGTIVE STOCKS	II SISSEET MOVERS	Table 1992 000 745 At Harmes 107 +8 +8.2 Carror 2,314,017 11.4 -0.4 Sackel 167	+5.85 +6.6 +8.9 +5.6 +2.9 +4.8
(2010) (2010) (2017) 1279.84 927.89 1279.84 4.00 make para dange	dundary Close Day's Day's price change chige % 9100	- Regular 5,507,000 1000 +25 Totals - 1 47.5 Regular 1,582,151 48.2 -1.3 Totals - Regular 5,284,000 513 -19 Applies 475 -1 41 ASF 1,421,480 54.1 +1.8 Totals - 1 41.4 Totals -	+25 +4.7
100.00 10	25 25 27 28 29 1 2 1 2 1 2 1 2 1 2 1 2 1 2 1 2 1 2	Sami'ris 5,005,000 309 -15 Traffix 525 -27 -4.9 Alston 809,573 21.2 -4.6 Reset 46 Hitschi 4,773,000 790 -18 Easts 195 -10 -4.9 Salv 750,705 77 -1 CCF 82.5	-33 -6.7 -53 -66 -2.10 -5.8
(147788) (8710/08) (147790) (4979) (14978) (14	ragio 25% +2% +10.3 FTSE Eurotop 300 loves M-LD let 20% -1% -6.4 1280	FigBit 4,600,000 461 -23 FigBit 481 -23 St. 8 Report 541,378 46 -3.3 CPR 35.31	
67/29 67/20	ndBrd 20% -2 -6.2 Nancos 10% -2 -6.0 Nancher 24 -1% -6.0 1240	Feb Feb Jan 1986/99 Slace compilation Feb Feb Jan 1986/59 Slace 2 1 29 High Low High Low File	e compliation Low
72/4/96 (27/95) (27/95) (18/7/95) NASDAC CITIP 2510.09 2515.49 2477.34 2510.09 1419.12 2510.09 54.57 III NASDAQ TRADING ACTIVITY	Volume: :981,190,000	DAX 5168.87 5190.82 5159.96 8171.43 3898.08 8171.43 931.18 FISE 100 8013.0 8012.4 5896.0 8178 4848.7 (Day's hight 5242.38 Day's lost 5157.10. Day's lost 5245.8 Day's lost 52152.	e179 986.9
	II BIGGEST MOVERS 1220	## FRANKFURT TRADUK ACTIVITY Volume: 13,548,891 ## LONDON TRADUK ACTIVITY Volume: ## ACTIVE STOCKS ## SEGEST MOVERS ## ACTIVE STOCKS ## BESEST MOVERS	1,206,200,080
traded price change DellCorp 42,577,000 106 +8 U	price change char 5 1200	Threeting Stocke Close Day's Tuesday Close Day's Tuesday Stocke Close Day'n Toesday Close	Day's Day's change chips %
RATIOS Med 20,179,60 172 -24 R	hadicelis 90% +45% +17.3 1180	Sante 419.879 E10 4.0 Routs 64 +2.9 +8.5 pc 26.079.799 rests 179. Well Orp 294%	+15% +30.1 +62% +25.9 +5% +22.6
Dow Jones Ind. Div. Yield 1.84 1.87 1.84 1.74 Ind 12,881,400 137% -34 0	trains needlech 11% -3% -218 1160 -18 -134 25 26 27 28 29 1 2	BASE 886,950 32.75 +1.45 acceptable 313 +15 +15 BICC 17,561,560 74 +10% breaking 15 book 25 25 4.55 MAR 244 +11.5 +4.9 Licrastarity 15,566,760 289% +36 JRA Hoty 142% District 15,566,760 289% +36 JRA Hoty 142% District 15,566,760 289% +36 JRA Hoty 14,566,760 289% +36 JRA Hoty 1	+5% +22.6 +25 +21.3 -30 -42.8
	icrolled 30% -48 -12.3 Jan 1999 Feb rendled 108 -14 -12.2	Dt Bk 265.310 49 -1.1 FRANG 451 -2/3 -3.7 Billion 14,519.220 114% -1% House Ext 40 Lufton 322.107 19.6 +0.6 SELDar 45.6 -2.5 -5.2 Br Land 14,124,950 483 +33 Knowles Hildy 44 Bhyffy 27,103 55.6 +2.6 SEA 22.5 -1.2 -5.1 Freenouses 12,469.500 53 +1% Staffware 1800	-21 -32.3 -70 -26.9 -87 -15.0
INDEX FUTURES		Veibs 297,218 S0.5 -0.4 Joseph 15.3 -0.8 -5.0 BP Annoon 12,487,580 866 +11 Renger Oil 21004	
the dame of the party of the pa	Open Set1.Price Change High If CAC-40 200 x index) 4294.0 4252.0 -71.0 4259.0	Link Est. vol. Open Init. Open Sett Price Change High Low Est. vol. 4235.0 52,886 114,326 Feb 733.00 735.00 -1.50 735.50 724.00 16,839	Open lot.
Jun - 1295.20 1288.00 457 7.541 M	eb 4294.0 4252.0 -71.0 4299.0 for 4300.0 4259.0 -72.5 4300.0 H DAX	4275.0 52,886 114,226 Feb 733,00 735,50 -1,50 735,50 724,00 16,829 4245.0 5,741 62,107 Mar 726,50 731,00 +1,00 733,00 724,50 47	171,940 1,140
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WORLD MARKETS AT A GLANCE			
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	nel Tel Autr 100 255.65 297.74 (c) 337.43 (c) 1498, General's decision to hold early elections in 1999 proposed up madent and company.	240.10 B/10/96 Pig no Nome of large asset willaddown at conglimatain Sembloup inhistance but sentement.	
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Stranger Real prompted book of profit-taking, meesting 20 per cent the-day gale.	Fy 807 Count 30 346.23 351.64 346.72 388.60 207798 Bacca Clam Ital 1497.73 1507.72 1488.26 1654.36 74468 Militel General 23717.0 23998.0 23711.0 28978.00 64468	8 240.51 970.06 1.67 28.4 Sales is of reflect Shorell sent states higher allbough activity menated palability film. 5 1881.50 970.08 South Addies .SE M State 5786.24 5624.3 5789.1 8566.70 20498 4894.40 11/898	
Shanger Real prompted boat of profit-fielding, resenting 20 per cent the-day galo.	Baset Dem Ital 1487,73 1597,72 1488,26 1654,36 74468 28717.0 23717.0 23717.0 23717.0 23717.0 2471.0 22717.0 24	8 286.51 97058 1.67 28.4 Sales in all reducer Storage September although authity removed paintally thin. 1883.51 97058 5005, Milica .SE MI Share 5785.29 582.43 5789.1 858.670 204.98 4894.40 114968 18781.00 97098 1.5E Gald 94.20 114968 5789.1 1310.00 87098 672.60 185988 .SE Ind. 870.29 5785.2 6719.9 8942.70 204.98 5548.00 114968 4.85 12880.00 97098 0.95 52 Roand of posit-halding brought to helt methods without granular.	8.6
Shanger Real prompted boat of profit-fielding, reversing 20 per cent flee-day galo.	Basez Dam Ital 1467.73 1507.72 1488.28 1656.36 74468 23717.0 23717.0 23717.0 23717.0 23717.0 23717.0 23717.0 24765 ded lower also subdued assoin following Europe's devanged loud: plan Hilberi 225 1434.83 14465.18 14469.25 17264.30 23956 1606.300 221.57 222.88 224.58 251.83 107295 1606.2 1113.73 1119.37 1125.26 1307.00 107295 242 5006ac 1239.58 1230.82 1252.77 1401.27 127296	288.51 978056 1.67 28.4 Sales in oil reflect Storage Septem 280cgh activity removed palability file. Sales in oil reflect Storage Septem 280cgh activity removed palability file. Sales in oil reflect Storage	25.5
Sharger Real prompted boat of profit-fielding, reversing 20 per cent flee-day galo.	Bancti Dam Ital 1487.73 1507.72 1488.28 1654.36 74488 Milled General 23717.0 23931.0 22717.0 23937.00 64485 ded Inwer after subdued assoin following Europe's devenment lead pan 1804.025 1434.80 14465.18 14489.25 17284.30 23958 Milled 300 221.57 222.86 224.58 257.43 107298 100.2 21.57 222.86 224.58 257.43 107298 234 50500 1239.58 1233.92 1225.77 4001.27 127298 Italian medianth voluntes as government bood joich surged and join contact; promoted than Annua SE 177.81 179.20 (c) 184.52 177998	288.51 978056 1.67 28.4 Sales in oil reflect Storack sent stares higher allocuph activity remoted pointing thin.	25.5
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Claim Stranger Real prompted boat of profit-fielding, reversing 20 per cent flee-day galo. Casada TSE 1004 400.78 415.14 413.34 475.83 255.68 234.91 57.008 1.53 19.1	Bancti Dam Ital 1487.73 1507.72 1488.28 1654.36 74488 Milled General 23717.0 23931.0 22717.0 23937.00 64485 ded Inwar after subdued aeroton killening Europe's demanari kedi pan Illigat 225 14488.28 14485.18 14489.25 17284.30 23958 pilled 300 221.57 222.86 224.58 257.43 107298 Topic 1113.73 1119.37 112.26 1300.30 107298 234 Section 1239.58 1233.92 1225.77 4001.27 127298 if back in medianth nobroles as government bood joich susped and pen commercy formal relation formal pen commercy	Select in all reflects Storage Sections (Select in all reflects Storage Sections) (Select in all reflects in Storage Sections) (Select in Sections) (Selections) (Se	25.5 24 29 208
Camelle Description Desc	Bancti Dam Ital 1467.73 1507.72 1485.28 1654.36 77498 Millerid General 23717.10 23717.	288.51 970.56	25.5 24 29 20.8
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Stranger Real prompted boat of profit-fields, reversing 20 per cost flee-day gals. Canada TS: 100+ 400.78 415.14 413.34 475.83 255.86 324.91 57.0008 1.53 19.1 Models Mitrish 2962.96 3024.78 3030.15 498.01 19398 2503.10 378598 19.3 19	Bases Com Ital 1487.73 1587.72 1488.28 1654.36 77498 Milled General 23717.0 23981.0 22711.0 23977.00 64488 ded lower also subdend associal billowing Europe's determinated lead comment of the subdend associal billowing Europe's determinated lead comment of the subdend associal billowing Europe's determinated lead 1778.0 1778.2 22.86 22.48 251.43 107298 261.50 1778.0 1778.3 1719.37 172.52 1200.30 109298 261.50 1733.3 1719.37 172.52 1200.30 109298 261.50 100.30 100.30 100.30 100.30 100.30 100.30 100.30 100.30 100.30 100.30 100.30 100.30 100.30 100.30 1	284.51 971058 1.57 26.4 Sales in all reliant Storage sent stress higher although activity revealed pointably thin.	25.5 24 29 20.8 24 29 17.9 1 49.1
Canada TSE 1004 408.79 415.14 413.34 475.82 255.88 204.91 576.098 1.53 19.1	Basect Com Ital 1487.73 1507.72 1488.28 1654.36 77498 Milled General 23717.0 2	28 281.51 971056 1.57 28.4 281.51 971056 183.51 971056 183.51 971056 1571.00 971056 1571.00 971056 1571.00 971056 25 25 25 25 25 25 25	25.5 24 29 20.8 24 29 17.9 1 49.1
Shanger Real prompted bout of profile bidge, reversing 2D per cont thereing gals. Counts TSE 1004 408.78 415.14 413.34 475.82 255.98 234.91 571.088 1.53 18.1	Basect Dem Ital 1467.73 1507.72 1488.28 1654.36 77498 Milleid General 23717.10 23717.00 1448.5 ded lower also subdued assoin billowing Europer's demanded 2271.10 23717.00 1448.5 ded lower also subdued assoin billowing Europer's demanded lower also subdued assoin billowing Europer's demanded lower also subdued assoin billowing Europer's demanded lower also subdued 221.57 22.88 24.58 251.43 107.98 100.00 107.98 100.00 107.99 10	200.51 970.56 1.57 28.4 500.61 970.56 1.57 28.4 500.61 970.56 1.57 500.00 970.95 1.57 500.00	24 29 20 24 29 24 20 20 20 20 20 20 20 20 20 20 20 20 20
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Stronger Read promphied board of profile-bidding, reversing 20 per cent theretoy guits Committe TSE 1004	Bases Com Ital 1487.73 1507.72 1488.25 1654.36 77498 Milled General 23717.0 23	28	25.5 24 29 3 20.8 3 20.8 49.1 17.9 1 49.1
Stranger Real prompted band of profile-biding, meeting 20 per cent ther-day gale.	Bases Com Ital 1487.73 1507.72 1488.25 1654.36 77498 Milled General 23717.0 23	Sale	25.5 24 29 3 20.8 3 20.8 49.1 17.9 1 49.1
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Jakarta hopes

EMERGING MARKET FOCUS

STOCK MARKETS

Bourses on hold as central bankers meet

WORLD OVERYIEW

Share markets back-pedalled yesterday as the countdown to decisions on interest rate policy began at two of the world's most important central banks, writes Jeffrey

The US Federal Reserve meets today to conclude a two-day session widely expected to lead to no change in US interest rates. Round at the European Cen-

sues are seen by stock markets as less clear cut.

across European stock mar-

kets from the opening bell. Paris and Frankfurt both retreated almost 1.5 per cent. with French equities reversing a six-day rally of more than 7 per cent. The weak opening on Wall Street, with the Dow Jones Industrial Average off 60 points at the

But trading in Europe was The uncertainty helped narrow - the benchmark spark broad profit-taking CAC 40 index in Parls traded within a range of 50 points or little more than 1 per cent managers' reports from Ger-and selling was said to be many and Italy indicate, the light. Market feedback suggested that investors had "on hold" until the next piece in the interna-tional interest rate jigsaw had been slotted into place.

Whatever it decides tomorrow, the trend in the foreign

pronounce tomorrow, the kept sentiment on the soft exchanges, where the euro has been bumping along at record lows against the dollar, appeared to pre-empt a cut by the ECB.

As the latest purchasing broad euro-zone economy is slowing visibly. And yesterday the euro continued to trade at close to 1.3 to the dollar against the 1.17 at which the single currency

were taking a more prag-matic approach. HSBC euro-zone money supply and weekend statements from Wim Dulsenburg, ECB president, playing down the

The M3 money measure rose 4.7 per cent year on year in the three months to December, against an ECB reference rate of 4.5 per cent.

chances of a rate cut.

However, plenty of brokers edged lower for a second day and Hong Kong shed more than 1 per cent amid talk of pointed to the strength of book-squaring ahead of the Chinese new year holiday beginning on February 16.

This is a time of the year when Chinese markets can rally if the omens are right, although the onset of the year of the rabbit did nothing for direct China plays yesterday. The red-chip index extended its losses Asian markets did little to since November to almost 40

depressed by news from an

analysts' seminar in London

could cut results by

SKr100m this year. The gen-

eral index fell 4.28 to 3,345.98.

of the red by last-minute

European financial scene.

10.29 higher to 3,455.19. How-

phone operator, was the

extending recent gains.

BRUSSELS was pulled out

to €117.02.

Indonesian share prices weakened yesterday despite an endorsement from Mark Mobius, managing director of Templeton Asset Management, as analysts said most foreign funds were still waiting for the rupiah to sta-

exchange index nudged lower along with other markets in Asia, down 3.94 to **Profit-takers end Dax rally** 405.16 as investors took prof-

the telephone utility.

Mr Mobius, known for moving markets with his predictions, was quoted at Monday New York close of €120.30, trading down €6.93 the weekend as saying Indonesia offered the great-In STOCKHOLM Ericsson est potential returns, though was a loser on news that the at the greatest risks, of all company's new T28 line of Asian markets. But traders mobile phones would not sig- in Jakarta said they had not seen Mr Mobius or any other nificantly affect the group's major foreign player buying results until the fourth quarter of 1999. The shares lost much of anything recently, keeping trade volumes SKr5.50 to SKr217.50, also

its in shares of heavyweight Telekomunikasi Indonesia,

around a paltry \$30m. "It's too much effort for that the Real devaluation too little return," one trader said. "They could do well in the market but they could get killed on the exchange rate. So they won't buy now. If it looks like the rupiah will stabilise, they will flood

buying after a day dominated by demand for finan-cial holding company Traders said Mr Mobius Almanij in the wake of this and a few other foreign week's restructuring of the funds had moved in during a few spurts in the share Almanij put on €1.60 to prices in the last quarter of €73 as the Bel-20 index edged 1998, when the index rose 54 per cent to end at 398. Mr ever, Mobistar, the mobile Mobius may be trying to talk up the market further, tradbrightest spot, soaring €7.95 ers suggested, estimating Templeton has 3 per cent of its Asia fund invested here.

or 11.2 per cent to €78.95, **DUBLIN** was dominated Lower interest rates and a by activity in Allied Irish strengthening rupiah have Banks as recent rumours of had an unusually strong effect on Jakarta's shares an imminent take over bid, because volume is so low, perhaps from Deutsche Bank, resurfaced. Allied and focused on blue chips. Irish rose 95 cents to €18.15 That also helps explain why as Nokia was hit by further as the ISEQ index put on even the more stable companies see share prices rise and Written and edited by Michael day, based on rumours or a

single large purchase. "If you get an order for



one day," one trader said. Share movements have less to do with a recovery of or corporate sector, although some believe both have hit bottom and this is the time to buy. Most still expect an economic contraction of a to 5 per cent and more pain for

nies have restructured off shore debt, but some, including Bakrie and Brothers, are reporting progress. Sales. though stronger than expected for essentials such as

food, are still tapering off. Indonesia is also bracha for renewed social unrest Paramilitary groups loyal to former president Suharts have been accused of organising riots, and the first rea election campaign in 40 years is expected to spark clashes between parties.

"We recommend buying the more liquid stocks," said David Chang, of Trimegah Securities. "We expect the over the next few months." in a report yesterday, Trimegah recommended the highly liquid shares of Astra International and HM Sampoerna, as well as mining group Aneka Tambang, palm oil producer Astra Agro Lesfall by 10 to 20 per cent a tari and the fisheries of Days

Sander Thoenes

Sell-off hits blue chips and tech leaders

A selling wave hit Wall ing leading shares and bonds selling off as the Federal open market committee opened a two-day meeting, joint venture programme writes John Labate in New

In early afternoon trading, the Dow Jones Industrial Average was down 101.70 or I.1 per cent at 9,244.00 and the broader Standard & Poor's 500 index was off 18.74 or 1.5 per cent at 1,254.26.

Sentiment was strongly negative, with declining shares outpacing advancing ones by a margin of nearly 3 to 1 in New York.

US Treasuries weakened as the dollar fell against the yen in the morning. By early afternoon the benchmark 30year bond had lost % to 100%, sending the yield higher to 5.241. The sell-off in bonds came a day after long bonds lost more than one point after the release of a stronger-than-expected

report on US manufacturing. High-tech stocks led the way downward as investors took profits after weeks of in banks. Royal Bank of Cangains for many leading stocks. The sell-off sent the Nasdaq compositè index Scotia lost C\$1 at C\$32.70. down 53.27 or 2.1 per cent to 2,456.82. Among the leading homed in on telecoms and computer-related stocks to some of the sector's recent cycle. fall. Hewlett-Packard was strong gains were unwound. down more than 4 per cent BCE tumbled C\$1.95 to to €82.50 on lower-thanor \$34 to \$784 and Microsoft fell \$4% to \$168.

sell transport stocks after C\$88.55. several days of strong gains on recent fare increases in the airline sector. Shares of Northwest Airlines were down more than 6 per cent Barrick eased 70 cents at at \$26 and Continental Airlines fell \$1% to \$39%.

Banking shares also weakened, with Citigroup down

5.164.95.

Sachs, rose €9.48 to €243.03.

€1.85 at €39.14 after a down-

beat statement from Sprint

1,224.70 See Euro Prices page.

strong earnings statement

that included plans for a

it-taking as analysts said the

market had absorbed the

news of the Paribas-Société

Générale deal and was now

marking a pause after Mon-

day's gains. The CAC 40 set-

Renault slipped €3.30 or

6.7 per cent to 646 as inves-

tors cashed in on the stock's

strong January performance. The company had surged on

reports of good December

and January sales which

investors now think marked

the peak of the sector's

tled 60.35 lower at 4,243.57.

PARIS succumbed to prof-

rights issue.

Deutsche Telekom lost

\$1 to \$531/2 and BankAmerica AT&T shares also pulled back, down \$24 to \$91%, a day after announcing a new

shares of Perot Systems on its debut in the public market. Shares in the company, headed by billionaire entrepreneur Ross Perot, climbed to \$40%, a gain of more than 150 per cent on its offer price

shares sent the Philadelphia stock exchange's semiconductor index off 2.4 per cent to 401.62

TORONTO took its cue from the soft opening on Wall Street and streamed lower in early trading. Banks were a weak feature and so were telecoms. At noon, the 300 composite index was off 84.84m at 6.680.60.

announcement on US monetary policy from the Federal Reserve led to profit-taking ada came off C\$1.30 at C\$78.30 and Bank of Nova

C\$65.60 while Northern Telecom, in which BCE has a big Investors also saw fit to stake, retreated C\$4.65 ot

> Alcan Aluminium fell 85 cents to C\$37.50 while Seagram came off C\$2.10 at C\$67,90. Golds were mixed. C\$30.30 but Placer Dome hardened 30 cents at C\$18.05.

Central bank shake-out sets São Paulo falling

Shock news of a senior Bovespa index was down 269 management change at the or 3 per cent at 8,622 at mid-Brazilian central bank sent session. shares in SAO PAULO lower from the opening bell.

The bank is to get its second president in three weeks. The Real, down heavily against the dollar since last month's devaluation, wobbled violently and

R\$123.50 and the benchmark unwound initial gains.

MEXICO CITY pared early gained to post modest losses with the IPC index down 13.22 at 4,043.46 at midses

A steady peso and hopes for robust earnings in the results season sent shares higher at the outset, but the Telebrás fell 6.4 per cent to sell-off in Brazil rapidly

Investors did get behind

Concern about interest rates ahead of today's

The profit-takers also

company blamed expenses from its Global One venture with Deutsche Telekom and France Telecom.

Banking stocks pared earlier gains, with CCF down fell €2.05 to €90.10 and

The profit-takers swung into action in FRANKFURT, reversing a five-day rally of more than 5 per cent and sending the Xetra Dax index down 74.65 or 1.4 per cent to There were a number of firm features, however. BASF rose €1.44 to €32.95 amid tentative takeover talk and Man, boosted by an upgrade from Goldman February Jan 1996 February 199

by heavy options trading about costs at Global One, its joint venture with Tele-kom and France Telecom. and steep falls for Aegon and Unilever. Aegon shed €1.90 Preussag came off €31.20 or 1.9 per cent at €96.70 at €449 after the diversified while elsewhere among tourism group put out a financials ABN Amro lost 15 cents at €17.70 in 10.8m The FTSE Eurotop 300 index fell shares traded and ING fell 7.62 or 0.82 per cent to €1.35 to €52.75.

> ing €2 or 4.2 per cent lower at €46. Software newcomes Seagull ended at €17.20 against a €15 flotation price. MADRID ended lower in slim volume, reflecting the negative mood in European

> Retailers bucked the trend with hypermarket chain Pryca up 43 cents to €21.39 and rival Continents adding 85 cents at €26 as investors sought refuge from a turbulent global economy.

BBV gained 18 cents to €13.28 on hopes of further rationalisation in the banking sector, while Argentaria, another potential bid target,

France Telecom lost €4.30 MILAN was lower after a expected quarterly profit subdued session which saw from Sprint of the US. The BCI and Banca di Roma pull back from early highs in spite of continuing hopes that they could soon announce progress on a long

BCI feli 4.2 cents to €5.81

77. Germany's Mannesmann for AMSTERDAM ended 7.22 US-based Cellular Communior 1.3 per cent lower at cations International had in a session marked succeeded. The deal is seen

as tightening Olivetti and Mannesmann's grip on Italy's mobile phone market. Popolare Commercio Industria was suspended limit up when an official said the bank was ready to launch virtual banking. The shares closed €2.09 higher at €23.15.

index lost 66.1 to 7,225.1.

HELSINKI took a tumble

the shares' sharp run-up to

last week's 1998 results.

waves of profit-taking after 89.59 to 5,294.55.

or 2.7 per cent to 5,901.65 as Gregan and Peter Hall

The Hex index lost 165.12 Morgan, Bertrand Senoit,

Telecoms group KPN pro-ZURICH put ABB in the vided the steepest fall, endspotlight ahead of full-year figures for 1998 to be published tomorrow. ABB rose SFr90 to SFr1,680, also helped by a warrants issue. Bank Sarasin, which rated ABB an outperformer, said it expected a jump in 1998 markets. The general index operating and net profits closed 4.06 off at 890.06. from the group. The SMI

lost 23 cents to £23.50

awaited link-up.

€5.80 or 6.6 per cent to €82.50 and Roma edged up 1 cent to after a French broker cut its €1.325 as the real-time Mibtel recommendation. Paribas index gave up 281 to 23,717. Olivetti rose 5.5 cents to Société Générale €3.60 to €3.40 as the group said its €149.40. BNP was €1 off at sweetened joint bid with

Jo'burg winning run over

SOUTH AFRICA

Profit-taking Johannesburg's winning higher at 942.0. streak and the overall index gave up 38.1 to 5,786.2, dragged down by a 47.4 fall to 9.004.2 in financials.

Golds gave up much of their halted morning gains to close 0.7

weaker, down 65.0 to 6,700.2.

Canning group Del Monte Royal Foods surged 20 cents to 190 cents as pineapple prices climbed to an eight-

Industrials were also year high.

Miyazawa triggers rate fears

ASIA PACIFIC

Concerns that rising interest rates could choke progress towards economic recovery drove TOKYO lower, as investors kept a keen eye on statements by Kiichi Miyazawa, the finance minister. urrites Alexandra Harney. The Nikkei 225 average

sank 115.35 to 14,349.83 after Mr Miyazawa said he would leave the rate on the 10-year benchmark government bond to the market. The comment gave rise to

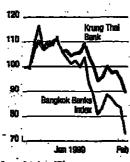
fears about the detrimental effects of a rise in interest rates on Japan's recessionbound economy. The Nikkei swung

between 14,285.96 and the back of the strengthen-14,459.81 during the day. Among broader measures, the Topix index of firstsection shares slipped 5.64 to 1,113.73 and the Nikkei 300 lost 1.21 to 221.67.

banks, exporters, and construction companies. Sakura Bank slid Y4 to Y269. Fuji Bank fell Y23 to Y461, and Sanwa Bank was down Y40 at Y1,070.

Japan Development Corporation, the failed construction company that filed for bankruptcy late last year. Declining issues outpaced was the second most heavily advancers 679 to 459, with Daewoo gained Won130 to ale's bid to buy Parihas.

Share orice and looks (rabased)

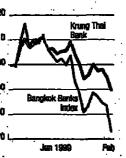


unchanged at Y1.

Blue-chip stocks dipped on ing of the yen to as low as Y114.57 to the dollar in the afternoon. NEC, the electronics group, lost Y13 to Y1,171, Hitachi tumbled Y16 to Y799, and Sony sank Y110 index lost more than half Trading was heaviest in to Y8,410 - its first decline in

> Speculative trading preyed on Izutsuya, a retailer, and Janome Sewing. Izutsuya was the most heavily traded share, falling Y17 to Y433.

Janome lost Y5 to Y155. with 314m shares exchanged.



traded share and finished

five sessions.

Trading volume was weak,

OSE lost 26 to close at 15,218.

BANGKOK saw steep falls among bank shares as the downturn for the market accelerated. At the close, the SET index was off 11.63 or 3.2 per cent at 347.21 with banks down 5.6 per cent and finance company shares 3.7 per cent lower.

Brokers said the sell-off 11.88 to 574.81 after local had been sparked by worries about banks' non-performing loans. Among leading banks, Krung Thai fell Bt2 or 12 1 per cent to Bt14.50. Thai Farmers Bank came off Bt3 at Bt53 and Bangkok Bank

Bt2 at Bt46.50. SYDNEY ran into profittaking after hitting a record high on Monday. Telecoms leader Telstra shed 25 cents reported 1998 results in line to A\$8.90 and media giant with expectations and HSBC News Corp fell 12 cents to gave back some of the late A\$11.75. The All Ordinaries Monday's gains, finishing 96.83 to 9,502.72 after a sesdown 16.7 at 2,907 9 in heavy

SEOUL closed 2.5 per cent lower as profit-taking and futures-linked arbitrage sell- demand spurred by shorting dragged the composite index 14.39 down to 567.28. Blue chips were among the

A\$1.3bn turnover.

162 shares finishing Won6,500 on speculation, unchanged. In Osaka, the denied by the company, that its planned takeover by Sam sung was nearing a break through.

KUALA LUMPUR fell as

foreign investors, disappointed by the government's reluctance to ease capital controls, sold banking and gaming shares. The composite index los

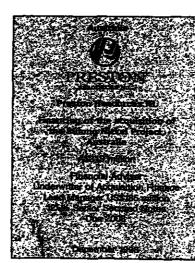
institutional investors res cued it from its 574.81 low in RHB Capital lost 12 cents to M\$2.46 while Commerce Asset dropped 16 cents to M\$3.30. Gaming company

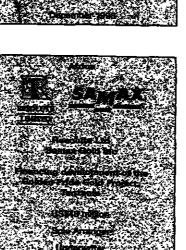
Magnum closed 17 cents lower at M\$2.07. HONG KONG closed lower as Bank of East Asia gains made on Monday.

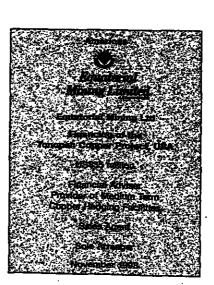
The Hang Seng index fell

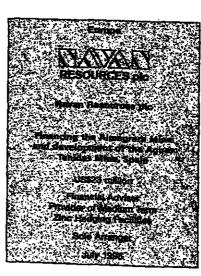
over was a slim HK\$2.3bn. Bank of East Asia picked up 35 cents to HK\$11.25, with covering. In the opposite direction, HSBC fell HK\$4 to HK\$193, giving back Monworst bit. Samsung shed day's gain, which came in Won2.100 to Won89,300 but the wake of Société Génér-

FINANCING MINES AROUND THE WORLD







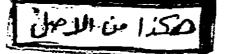


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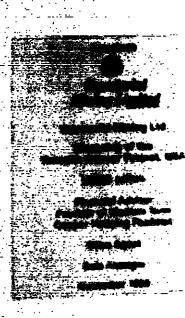
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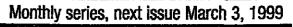
YES AROUND





VIATION TECHNOLOGY

WEDNESDAY FEBRUARY 3 1999





Customer relations Key to selling more goods. and services: Pages 4-11

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Financial services investors explore new online markets: Pages 14-15



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Green computing Moves to clean up the IT industry: Page 13



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n the days before mass marketing, the local bank manager knew the names and ages of his customers' children, the corner shop knew which brands of breakfast cereal to stock for local families and businessmen bought their suits from bespoke tailors.

But all that has changed. Today, under the onslaught of cost-cutting, rationalisation and automation, many people never see their bank manager, the cosy corner shop has been replaced by an impersonal supermarket checkout and most people make do with moderately priced off-the-peg clothing

Further radical change is under way. As Paul Ratcliff, managing director of Hatton Blue, a UK-based Customer Relationship Management (CRM) software developer says, "more and more companies are realising that the conventional mass production model on which consumer marketing has been

Instead of focusing narrowly cost-cutting measures and improving efficiency, more and more market leaders are re-examining their business strategies and deciding that customer service and customer keys to future growth.

Specifically, leading proponents such as Mr Ratcliff argue that CRM systems and related technologies can help companies improve the rate of new customer acquisition by tailoring products to an individual customer's requirements. They can also help to identify existing customers who generate the most profit, and keep them for longer, and assist in the cross-selling of other products in the portfolio to both new and existing customers.

To achieve these benefits, CRM vendors argue that companies must adopt an integrated approach to customer management. This should draw on a number of technologies, including database mining. echniques, business intellig software and advanced or "intelligent" call centre systems, helping capture relevant customer data, as well as handling customer contact via multiple channels, including the Internet.

Using these tools, they suggest will help manufacturers and other suppliers understand their customers better and move towards what has been described as "mass customisation" or the ability to cater to a "market of

"Companies across the world recognise that to survive in an increasingly global and competitive marketplace, strategic focus on the customer is critical " says an Andersen Consulting report, prepared by the Economist Intelligence Unit. Increasingly, companies are taking a holistic view of their customer relationships and focusing on the lifetime value of those relationships," says Dale Renner, global managing partner of Andersen Consulting's Customer Relationship Management practice.

"In the past decade, particularly in the US, we've seen lots of restructuring, downsizing and so forth and in the whole process we have lost sight of the customer," he says. "The real

the digital marketplace Under increasing pressure to win new markets and keep consumers happy, companies are relying heavily on specialised IT systems, writes Paul Taylor

going to increase revenues while still keeping costs in line?" The answer, he and other central database. "Many experts such as Steve Swanson, head of Cap Gemini's Global CRM practice, argue, lies in switching attention from back office systems such as enterprise responsible for customer resource planning (ERP) to front office systems and enterprise Even so, 89 per cent of customer management (ECM) or

management systems. "Two years ago, this market didn't exist," he says. "Now, people want to know how they can improve their customer relationships." Cap Gemini's CRM practice is focused on the maxim: "Know, Target, Sell and Service". "You need to know who vour customers are first," says

customer relationship

Mr Swanson Often, that is not as simple as it sounds because many organisations have multiple customer databases - sometime with different departments controlling access. Nevertheless most consultants argue that huilding a common customer database lies at the core of an effective ECM strategy which will typically also encompass sales support, marketing support, customer support and quality

Despite this, a UK study by

only 5 per cent of companies currently possess an integrated companies are failing to exploit one of their most valuable assets customer information," says Steve King, the KPMG partner

respondents in the KPMG study claimed customer information was extremely important to the success of their business, Such concerns have helped make customer relationship management – and the retention of profitable customers in particular – one of the hottest

subjects in IT consultancy. Several powerful forces are driving this market growth. Firstly, in many markets such as financial services and telecommunications, barriers to entry have virtually vanished, resulting in a flood of new entrants offering goods and services at a price and quality that has turned many sectors

Crucially, notes Scott Webber, chief executive of Corepoint, IBM's CRM unit, "most companies are now competing with increasingly commoditised products, so the only differentiation is the customer

into commodity markets.

Meanwhile, ever shortening product life-cycles have highlighted another business reality. As David Allen of Acxiom International, a leading UK-based marketing database developer notes, "the risk and the profit lie in the customer, not the

The customer is king in

product". When there was little or no supplier choice, customers were forced to accept second-rate service. But market liberalisation, the shift to global competition and the commoditisation of many products and services has changed the balance of power between suppliers and customers and these consumers have high

expectations. There has been a real power shift from manufacturers to consumers and we have really smart consumers these days, says Andersen's Mr Renner. The second important factor

driving the CRM market is the weakening of attachment to brands. In a recent white paper based on research by Spike Cavell, the UK consultancy, Mr Ratcliff of Hatton Blue noted: "At the level of customer behaviour, brand loyalty is a dying concept.

"The war waged by manufacturers towards the goal of "total quality management" in

and increasingly we take excellence and low cost for granted. There is simply no need to favour a more expensive brand over a cheaper, equally

functional competitor. In many markets, where price has become the primary purchasing criteria, supposed customer loyalty has evaporated and market "churn" has become endemic, forcing suppliers to reassess their market strategies and focus on retaining profitable customers and differentiating their product offerings.

Even so, KPMG's study found that 43 per cent of companies could not identify the principle causes of customer churn, even retrospectively, and almost half were unable to identify customers on the point of defection. As a corollary to this, Mr Ratcliff says, "the cost of new customer acquisition is skyrocketing as the task of shouting above the noise of competing offers becomes ever

According to some estimates, it costs five to eight times more to acquire a new customer than it does to retain an existing one. Other startling statistics include the calculation that companies generally have a one-in-two chance of selling a product or

more difficult".

KPMG Consulting reveals that relationship". the 1970s and 1980s has been won, service to an existing custo but only a one-in-sixteen prospect of selling to a customer with no

previous relationship. But not all customers are valuable. Traditionally, most organisations have discovered that 80 per cent of their profits are derived from 20 per cent of their customers and some customers may actually cost money to keep. "Firing a customer" is sometimes a necessary step if other attempts to turn the relationship into a profitable one fail, admits

Andersen's Mr Renner. The need to distinguish between profitable and unprofitable customers, and to win over new ones, explains the close interest in CRM. Definitions of what actually constitutes CRM vary considerably, but there is little doubt that the overall market for software that helps manage customer relationships is erowing rapidly.

According to Boston-based AMR Research, which specialises in analysing the enterprise applications market, the CRM market will grow from \$1.2bn in 1997 to \$11.5bn in 2002 - a 58 per cent compound annual growth rate over five years. "As the market continues to realise the strategic advantages. importance and revenue

generating ability of CRM applications, market penetration vill dramatically increase," says Peggy Menconi, research direct at AMR Research. "CRM is quickly becoming one of the hottest areas in enterprise application and will continue to spur significant mergers and acquisitions. This business activity will result in the formation of dominant players being identified over time in this

emerging open market." Indeed, a top tier of CRM software suppliers is beginning to appear and mergers and gathering pace. For example, Siebel Systems of the US, the acknowledged leader in the sales force automation market, has broadened its product portfolio by acquiring Scopus Technology, a call centre company. Clarify and Vantage, both US pioneers in the call centre market, have also pushed into the broader CRM market through acquisitions.

Meanwhile, ERP software companies such as SAP of Germany, Oracle of the IIS and Baan of the Netherlands have all begun to move into the front office software market, either through acquisition or organic growth. For example, Baan cquired Aurum Software and SAP bought K&V Information, while IBM built its Corepoint unit around the acquisition of Software Artistry. Oracle took a different route by

developing its Front Office v3 software - including advanced call centre software and support for mobile sales and services applications using the hand-held Palm Pilot device - in-house. These moves underline the potential of the CRM market and the importance attached to it by many of the software industry's "heavyweights". The battle for the customer is now in full



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> No wonder he demands his service provider displays this logo.



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EMPOWERING THE

The UK company's takeover of AirTouch paves the way for a new generation of digital networks, reports George Black

company created by last month's \$62bn takeover deal. will before long be able to deliver a pan-European voice and data mobile network. fone official said that Air-This could put it some way ahead of its potential international competitors, in a business still mainly based on national markets, and turn it into one of the dominant forces in the future IT

Chris Gent, Vodafone's chief executive who will head the new group, said: "We (Vodafone and Air-Touch) share a vision of mobile communications as the principal platform for voice and data communications into the next century assets to realise that vision." In the next few years, the

INTERNET ACTIVITY

the US-based Internet ser-

vice companies. @Home pro-

vides high-speed access to

the Internet via a cable tele-

search engines and portals.

to buy Excite for \$6.7bn

seemed to justify the inflated

prices of Internet stocks -

reflected those levels

because it involved payment

far involving Internet-based

companies. Hard on its heels

in shares

between @Home and Excite. ter than over phone lines.

are quoted.

Vodafone AirTouch, the mobile networks are expec- profit. Shares in Vodafone, ted by some industry analysts to take over much of the business world's data as well as voice traffic. A Voda-

NEWS UPDATE

Touch's widespread European assets represented 75 per cent of the reason for Vodafone's takeover hid.

The combined company will have holdings in 11 European countries, including all of the major markets. However, AirTouch's US operations make up more than half of its revenue and

one of the four government- ers. The current market licensed UK mobile network operators, rose sharply as investors applauded the

The new company will have a presence in 23 countries around the world. With a market capitalisation of around \$110bn, it will become the third largest public company in the UK and the largest mobile network operator in the world. Mr Gent said this would make the company the partner of choice for other telecommunications operators and manufacturers, as well as the operator of choice for

business and consumers. He predicted that it would have 40m subscribers by 2003. On completion of the deal, it will have more than

a 50 per cent market peneworld's industrially developed countries by 2003. Explaining the rationale

for the deal, a joint company statement said: "As mobile telephony enters its next phase - the development of next generation technology and mobile broadband data - the global operators will be best positioned to capitalise on the growth in the industry. Vodafone won the contest

for AirTouch, which is based in San Francisco, after Bell Atlantic pulled out of the bidding, having offered \$45bn. After securing the deal, Vodafone sought talks with Bell Atlantic, based in

RESEARCH DIGEST



its continued support, as

ation with Airtouch. Europe is regarded as is the largest wireless com-Vodafone's main area of pany in the world, based or raised the question of is the UK market leader, whether it may make further with over 5m UK customers purchases in the US in order and an international custo strengthen its position tomer base of 4.3m.

New York, to try to ensure there. Sam Ginn, chairman and chief executive of Air-Bell has a joint venture oper- Touch, will become non-executive chairman. AirTouch

...along with profit

Companies will not see

much profit from electronic

Group. Only 5 per cent of

Even the best-known elec-

tronic commerce traders are

not yet into profit and only a

few of the world's top com-

panies have profitable inter-

Internet prizes to

Young companies are prof-

iting from the Internet.

while old established organi-

sations are turning their

back on a potentially very

profitable way of doing busi-

ness, says a report from the Butler Group. Many organi-

sations may be unable to see

the promise of electronic

husiness because they are

suffering from "IT

fatigue," it suggests.

net operations.

the young

THE MONTH IN BRIEF

Microsoft is embarrassed by success

Microsoft, the world's largest software company, amazed the investment community with a 74 per cent increase in net income to \$1,98bn in the second quarter. Revenue was 38 per cent up at \$4.94bn.

Ironically, industry analysts said the company was bound to be embarrassed by its success, at a time when it is defending itself in a Washington court against a charge of abuse of monopoly power. Meanwhile the company announced a two-for-one stock split and said it would Invest \$500m in NTL, the UK's third targest cable television network operator, and pay \$300m for a stake in NTL, the Netherlands-based cable company.

☐ This month, Microsoft also emerged at the top of the rankings in the Financial Times annual FT500 survey of the world's most valuable businesses by market capitalisation. The software company replaced General Electric, also of the US, as investors' enthusiasm for technology stocks propelled the group's shares sharply higher.

Intel makes record gains

Intel, the leading chip manufacturer, reported a record profit which also far exceeded the expectations of Wall Street. Its quarterly profit was up 18 per cent to \$2.1bn. Intel said that demand had strengthened in the period and revenue reached a record level, even in the crisis-stricken

Asia-Pacific region. But it expected revenues for the current quarter to be down, due to the normal seasonal fluctuation. The company was ranked seventh in the FT500 list.

iBM gains in quarter

IBM reported a 12 per cent increase in fourth quarter net profit to \$2.3bn on a 6 per cent growth in revenues to \$25.1bn. The profit figure was slightly higher than analysts expected but the revenues were lower. Nearly 60 per cent of gross profit came from software and services, noted chairman and chief executive Lou Gerstner.

Strong iMac sales at Apple

Apple Computer reported growth in both revenues and profits for its first quarter, the first such increases in three years. Revenues were up 8 per cent to \$1.7bn, while profit trebled to \$152m. Sales of its iMac home computers, heavily promoted for their stylish design, have soared. The results were well above analysts' projections and are evidence that the company may be recovering its market

SAP suffers a jolt

SAP, the big German applications software company, experienced a fall in 1998 earnings growth due to a sharp sales decline in Japan: Fourth quarter net profit was down 15 per cent to DM712m (\$421m) on sales up 18 per cent to around DM2.6bn. Profits for the full year were 14 per cent higher at DM1.05bn; it had previously estimated at least 30 per cent growth.

Revenues from the Asia-Pacific region fell 22 per cent in the final quarter, while those in the Americas rose by 28 per cent and in Europe, the Middle East and Africa by 20 per

Move to free the Internet

Chief executives of technology and media companies are getting together to try to ensure that the Internet remains self-regulated. The newly-formed Global Business Dialogue on E-Commerce, a group made up of over 100 companies worldwide, aims to dissuade governments from attempting to control the Internet through legislation, arguing that this will damage the economy of any nation which adopts such

Yahoo beats forecast

Yahool, the Internet search engine and portal company, returned financial results well ahead of market forecasts, with profit of \$25m. Revenue was trebled to \$76.4m. Jeff Mallett, chief operating officer, said the company intends to extend the range of services offered to partners which sell products through its Internet site.

Acer postpones share issue

Acer, the leading Taiwanese personal computer maker, postponed a big international share issue for the second time because of market turbulence and currency instability t said the issue would be delayed until May at the earliest. it was originally intended to take place last year. Taiwan's stock market began the year with a 4 per cent drop on the first day of trading.

Samsung's AST sale

Samsung Electronics of South Korea is to sell 65 per cent of AST, its loss-making personal computer subsidiary in the US. The sale, for \$12.5m, is to a group of US investors led by Beny Alagem, former chief executive of the PC

manufacturer Packard Bell Samsung is said to have invested around \$600m in AST since it bought the company in 1994. It will now be incorporated as AST Computer.

Unisys back in profit

Unisys, the US information systems and services supplier, reported its first full year of profit since 1993, boosted by increasing revenues from computing services. For the year, revenues were up from \$6.6bn to \$7.2bn. Its transformation into a services business was marked by an annual net profit of \$387m, compared to a 1997 loss of \$853.6m.

CA shows rise in quarter

Computer Associates, the US business software vendor, reported third quarter revenues up 10 per cent to \$1.36bn, with earnings per share up 7 per cent to \$64. Chairman Charles Wang said the software market remained "vibrant" as technology played a proportionally larger role in clients' ability to compete. But mainframe software sales were depressed by users' concentration on the millennium bomb" issue. See also Y2K report, page 16.

E-mail address: gbg26@dial.pipex.com

networking systems for tele-Internet service providers, companies and government bodies. This is the latest development in a trend of consolidation in the data communications industry, as telephone equipment manufacturers seek to expand their expertise from voice

Last year, Nortel, the

shown an interest in allying munications capability than

This is Lucent's largest acquisition since being split from AT&T and it raises the question of how easy it will be to merge two companies with very different corporate

Lucent's new broadband networks group will comprise Ascend and Lucent's own data networking systems, optical networking and communications soft-

George Black

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Fax +44 (0) 171 873 3197; e-mail: FT.surveys@FT.com SURVEYS PROGRAMME AND INDEX Surveys are published most days of the week with the FT.

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the leading search engine Zergo, Broadcast.com, VirtualInternet, E*Trade and Onand portal, was buying Geofar outpaced the growth in cities, a popular web commuline also went up steeply. electronic commerce on nity site, for \$4.7bn. Last However, a few days later a which it should be based. year, America Online, the number of web stocks began Rupert Murdoch, chair-Internet access and services to plunge as fast as they had man of News Corporation provider, acquired browser risen said share prices of Internet vendor Netscape Communi-Until a few months ago. companies were ludicrously cations for \$4bn. Internet share prices were high and his company would " Home has around 330,000 high but not out of all pronot consider making an portion to the rest of the acquisition in that area. subscribers but a potential US market of 60m cable TV market. In the past month, Alan Greenspan, chairman customers whose homes its that has no longer seemed to of the US Federal Reserve, network passes. Excite has a many analysts and investors spoke of a degree of "hype"

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and acquisitions in the IT. communications and media industries leant last year by 87 per cent to \$500 billion. said Broadview Associates, the London-based mergers and acquisition specialist. North American telecommunications deals, quadrupling to \$234.8bn, made up almost half of the total busi-

ness. The value of European transactions rose by 37 per cent to \$95.7bn. Software deals increased by 85 per cent to \$56.5bn

costs Home users of the internet in Britain are paying the western Europe, says a Compuserve, says the report. enough" to operate in a fully

research group. Average monthly household subscriptions are £15.40 (\$25), three times as much as in the Scandinavian coun-

tries, where rates are lowest. UK users are not price-sensitive and are willing to pay premium fees to companies

highest access charges in such as America Online and interfaces are not "smart

consultancy's report argues.

Niche suppliers face squeeze

Smaller "best-of-breed" potential applications software vendors are facing a squeeze as users increasingly buy all their systems from a single commerce in the short term. vendor. This is the conclupredicts Giga Information sion of the annual survey of the applications market by those trading electronically will make a profit within the KPMG Consulting in its Directory of Business and next 18 months, it says. Financial Software.

Suppliers who aim to excel in a niche rather than cover a wide spread of functions are ever more threatened by the multi-function vendors such as SAP, it says.

US web retailers lead the way

Retailers in Britain risk being left behind by their foreign competitors in the Internet shopping market, warns a report by Fletcher tesearch. US groups have "stolen a march" in sectors such as computing and books by offering better service and better value for money, it notes,

Half of the UK's top 50 retailers still have no online presence, according to the

> cated to solving the millennium "bomb" problem. This was the main finding of a survey by Dibb Lupton of the independent agency



Lucent acquires Ascend

Canadian telephone equipment manufacturer, bought and communica ware operations.

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The FT Review of Information Technology

This review is published on the first Wednesday of the month. In addition, information technology articles appear regularly in 'Inside Track' in section one of the FT. The IT Appointments section is also published each Wednesday.

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Financial Times

INTERNET VIEWPOINT: DAVID PETERSCHMIDT

Online search specialist goes shopping

The company which helped the Internet cope with ballooning traffic volumes is now taking a close look at the electronic shopping market, writes Paul Taylor

midt.

Inktomi's origins

California

success story

millions of users - it is the

prise computing environ-

this network of workstations

for setting up a business

actually came from Mike

Stonebreaker, the database

pioneer and founder of

Ingress who is also a profes-

sor at Berkley.

Inktomi, the Silicon Valley the right place at just the start-up run by David right time. Peterschmidt, can claim much of the credit for keeping the Internet running, despite the doomsayers who have periodically predicted its imminent meltdown.

Internet software developed by the San Mateo-based company - named after a able power," says Petersch-Lakota Indian mythological spider character - has enabled many of the largest Internet infrastructure and media companies to cope with the exponential growth in the number of Internet users, web sites and network traffic.

Having signed up many of first Internet search engine. the leading Internet and media companies for its core search engine and network cache technology, and seen its share price soar in are a classic response, Inktomi is now turning its attention towards the next "hot" Internet market - online shopping.

In November, a secondary share offering was priced at \$140 a share, valuing the company - founded three years ago by two Berkeley university researchers, Eric Brewer, chief scientist, and Paul Gauthier, chief technology officer - at \$3.4bn. I think the combination

of sticking to good execution midt.

of a well thought-out strategy - with the next piece of just the proof validation that a media content expert." that strategy being online shopping - just really really worked," but the idea caught Wall Street's imagination," says Mr Peterschmidt, who is chief executive. Inktomi's origins are a classic California success story mixing technological knowhow, entrepreneurial flair and the luck of being in Inktomi in July 1996 when it When a user searches the ware now handles about looking for the next applica-

had just seven employees, a human kind."

The group's founders were working on a federallyfunded project simed at developing supercomputer power at microcomputer prices by clustering low-cost off-the-shelf workstations. "This gave them very scalgoing to be able to crack."

To prove the scalability of we used to think if we could their project, the two comget a 100 Gigabit to 200Gb puter scientists looked database we would be doing around for an application handsprings down the hall that would validate the techand shouting from the highnology. The "test" applicaest rooftops, and yet the technology Inktomi had tion Mr Brewer and Mr Gauthier seized upon was the under the search engines started at terabytes and

nology, Mr Peterschmidt says the company was simply playing to its strengths. "We believed fundamentally that we wanted to leverage the technology and not have a company where the headcount had to grow in direct relation to the revenue," he

"If you think about the Internet, it has this infinite scaling document database and you have got millions and world's largest global enterment," says Mr Petersch-"The search engine was

> The strategy worked. Inktomi's search engine now powers many of the world's ing AOL's ICQ service, Geo Cities, HotBot, NBC's Snap!, Yahoo! and the Disney Inter-

small office over a sweet shop in Berkley and a mission statement that envisioned the Internet search engine as "providing global information access for The group's new chief

executive was nevertheless impressed with what he found. "My thought was that the Internet was going to have a huge scalability problem that none of the legacy software companies were "In the database industry

ner, such as HotBot, the second, the user's search covers over 100m documents went up from there. to return a relevance-ranked

By focusing on the tech-

The company also decided that rather than branding its own service, an annuity revenue stream model was best. "There were 12 of us at that time and quite frankly, we looked at each other across the room and said not one of us was a branding expert or

leading search sites, includ- net service providers and net Guide - although most Online - AOL's Traffic Mr Peterschmidt joined users will be unaware of it. Server network cache soft-

Peterschmidt: "We are the elephant hunters of the internet web from an Inktomi part- 1.2bn hits a day. Other Traffic Server cusquary is sent to a cluster of tomers include @Home Net-Inktomi-operated computers. work, PSI Net, Bell Canada, work, PSI Net, Bell Canada, Within about a quarter of a NTT in Japan, and Telepor Nextel in Scandinavia, "We now have about nine or 10 major network cache cus-

tomers," Mr Peterschmidt

Mr Peterschmidt says get-ting into the search engine Inktomi reckons that business early had other while annual bandwidth demand is increasing tenfold benefits, in particular it helped the group identify the on average, annual bandhigh level of redundant netwidth supply is rising only work traffic as a key probhy a factor of three. The software, which speeds Internet lem - and another business traffic flow by intelligently Redundant network traffic storing or "caching" frequnt-

ly-requested information ties up bandwidth and happens when users request the closer to the user, is same material over and over designed to address this again from the same locaincreasing gap between tion. "We thought if we demand and performance could crack this problem we and ease the notorious could really facilitate the "world wide wait". By minimising redundant Internet."

The result was the develtraffic, Traffic Server increases effective bandopment of Inktomi's network cache software, launched width and reduces telecoms early last year and targeted costs. Had it not been for this technology, some of at the world's largest Interthose premonitions about telecommunications groups. meltdown or the medium

The first customer for the

set of results.

opportunity.

new product was America "We are the elephant hunters of the Internet; we are

tion that will not scale, where the Internet will bog down, move there and see if we can solve the problem before it becomes a problem." says Mr Peterschmidt.

"We get to do that because we are sitting in the catbird seat on the Internet - if you look at our partners today. they are all the major companies of the Internet and we are interfacing with all ofthem. Because we are technology-based, we are looking at the guts of the Internet everyday."

At one stage, inktomi considered developing an e-mail application, "but we couldn't ... understand how to make money with it because it is basically a give-away today by the portals he says. "So we backed away from

Instead, Inktomi began looking at shopping and con-cluded that shopping was "about 10 times more computer intensive than searching." Crucially, that is because Mr Peterschmidt believes online shopping? must be about more than simply finding the lowest

He argues that a really good internet-based shopping service has to be integrated with a search engine, pull in other data such as product reviews from organisations such as Consumers Digest and link to information supplied by merchants. Mr Peterschmidt believes Inktomi's strengths in network scalability and performance are well suited to the needs of e-commerce. But this time, instead of building its own application from scratch, Inktomi acquired' C2B – a consumer orientated online shopping pioneer - in September and integrated the technology.

Inktomi's Shopping Engine software is the company's first venture into e-commerce, a market which Jupiter Communications predicts will encompass 33m online shoppers, generating \$17bn in revenues by the year 2000.

Assessing the development of the commercial internet so far. Peterschmidt says: "I think we are entering just the beginning of the early. maturity stage, and we are moving out of the high techcollapsing might well have nology stage in some aspects. of the Internet. "

But other applications, such as online shopping,



A smooth take-off for new single currency

After all the nerve-racking preparations, the daunting IT challenge of Europe's historic monetary union was mastered with remarkably few headaches

Rig information technology projects are notoriously difficult to control. But in the case of last month's massive euro conversion. everything went strictly to plan. The predicted pitfalls and delays failed to occur and IT managers breathed a

deep sigh of relief. "The euro is a text-book lesson on how to successfully manage FF projects," says Eric Steeghs, executive vice president for IT at ABN Amro, the large Dutch bank. The changeover had been planned for three years but he was still surprised at how smoothly

things went. "You become somewhat cynical in this line of business as IT does not have a good reputation for time." The bank had 1,000 IT staff working in its Amsterdam data centre over the long conversion weekend, which stretched from December 31 to January 3: some 400 were obliged to work on New Year's Eve. the day when the conversion values for the 11 national European monetary union currencies

were announced. Around 95 per cent of the effort involved in the bank's euro programme had already been put in by December. but there were some critical tasks that could not be performed until the conversion rates were published on December 81. Checking to ensure we inserted the right currency conversion values took most of the time," says Leendert Molenaar, vice president for the bank's euro conversion

The bank had 300 euro projects covering its investment, retail banking and back office systems. Mr Molenaar was present during the four days and admits he might as well have stayed at home as no imexpected problems occurred. "But you've worked years on a project.

you want to be there on the

hig day," he says. It was a similar story at other financial institutions. In London, some of the 30,000 staff working in the able to go home early. Reuters, the financial information group, completed its euro conversion programme

City over the weekend were seven hours ahead of schedule. Around 700 Reuters staff worked over the four-day period to convert 700,000 items of data. The project cost £10m.

blamed the problems on a high concentration of payment flows late in the day and banks' difficulties adapting to the rules of Target, the new real-time settlement system. To reduce the bottlenecks, the BCB temporarily extended Target's opening hours during January. The euro's impact has

been most dramatic for the central banks and stock exchanges in the suro zone. At a stroke, they had to abandon national currencies



In Taipei, an exchange clerk points to euro-Taiwan money rate

Reuters attributes the success partly to four dress rehearsals performed in late 1998. Consultants agree with this opinion and note the high degree of preparation behind euro projects in the financial sector. "The conversion in the securities sector has gone extremely well and all the dress rehearsals and planning have paid off," says Alec Nacamuli, head of IBM Consultancy's Emu practice. The few problems that have emerged do not involve conversion of FT systems but rather the settlement procedures."

Some commercial banks complained of delays in · settling transactions in the first week of trading in euros. The European Central Bank said the volume of transactions had exceeded its expectations but denied this had strained the capacity of its computer systems. Instead, the ECB

and switch over to the euro. In retail banking, the effect has been more muted, as most customers continue to use accounts denominated in national correncies.

Only 1 per cent of ABN Amro customers have so far opened euro-denominated current accounts and the majority of these are Netherlands-based multinationals, such as Philips, which have most to gain from the single currency. In other sectors of the financial services industry, the birth of the euro has also been low key. "From a competition point

of view, we decided that it was important to be able to offer euro products early on, but it is surprising the extent to which we over-estimated customer demand," says Dominic Lamsden, operations director for Dublin-based Lombard & Uister Banking (LUBL), the leasing arm of

Ulster Bank. LUBL has converted its IT systems to dual-currency operation. This allows suppliers to be paid in euros - big European car distributors have already adopted the euro - while LUBL customers in Ireland can continue to pay off their vehicle leases in familiar Irish pounds. LUBL has no in-house IT development staff and thus had to use external resources to conver its systems.

The maintenance of the

system is entrusted to ICL.

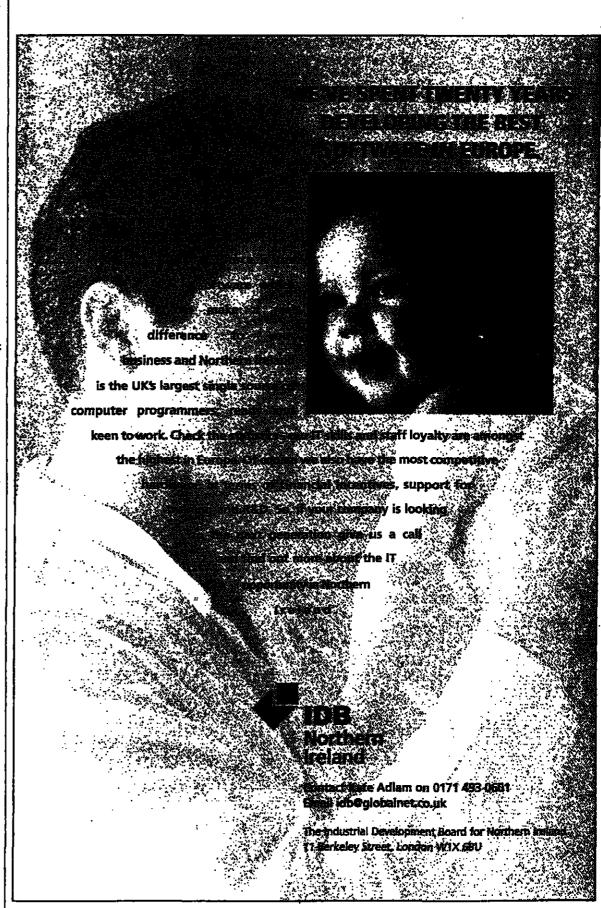
company's core leasing

which was thus responsible for converting the software to handle the euro. This work was completed in December. The suppliers of the company's other systems - a commercial banking package and a general ledger program - wanted LUBL to upgrade to the latest versions of their software to achieve euro compliance. But the new versions had features that LUBL did not need and Mr Lamsden decided the extra cost could not be justified. "We wanted to take the lowest cost route because in three years time we may move to a

completely new IT system." So, the two suppliers reluctantly agreed to adapt LUBL's existing programs, making the minimum changes needed to handle the euro. This strategy allowed

LUBL to save over IC500.000 (\$735,000) in the case of the banking package. For the time being, LUBL will continue using Irish pounds as its base currency and its modified systems now allow transactions to be expressed in euros if a business partner requires it.

"In three years, when most of our transactions are in euros, we will have to take the decision to change our base currency," says Mr Lumsden. But few of LUBL partners have so far rushed to use the new currency. There is a deafening silence in the marketplace."



It's still an uphill struggle

Call centres should not be run primarily to save money, but to make money, to steal a march on competitors and to enter new markets. But the biggest obstacle to advance in call centres is the lack of integration with other enterprise systems

become mission critical for businesses ranging from fmancial services to the selling of postage stamps. But it is the technology upon which the channel is built that lies at the heart of suc cess or failure.

Perhaps in this case more than any other in the IT world, the service is only as good as the software which delivers it. So how far has this technology developed and what new features can be expected to emerge in the near future?

"There are basically two component areas in the architecture of a call centre," says David Bradshaw, a consultant with the British research firm Ovum and author of its report Call Cen-

"One runs in the background and provides data-mining and analysis. The other deals up front with transactions, taking the calls and meeting the customer.

"Integrated together, the call centre network is potentially very advanced now. The customer can be identified before the call is answered, personalised agent to offer and lots of processes can be automated to improve the experience for agent and customer alike."

Workflow technology has been making much of the running in recent advances. Call centres have always incorporated a degree of automation of business processes and Computer Telephony Integration (CTI) has built in the ability to distribute calls to suitable agents.

But it is a third type of workflow, which seeks to prise, that potentially has



It's good to talk: two thirds of those questioned for a Henley Centre report on access to government departments in Britain welcomed the chance to sort out problems - such as tax matter by phone. But calls that are not handled quickly and efficiently se great irritation: see report on callers' reactions, page 9

This attempts to tackle the verities of complex processes which form real business environments as well as identify bottlenecks and promote collaboration between departments.

Workflow management is embrace the whole enter- increasingly being recognised as a key technology in the most fruitful application. call centre applications,"

Technologies' UK managing

Lucent Technologies, not untypically, formed a close alliance last year with workflow vendor InConcert, part

presence felt in the call cen-

any other. "Callback buttons" on web pages respond to the fact that customers to buy online if they have

is highly personalised. "The web makes practical technology solutions possible in a way that really was not viable before," says Gary Coville, manager of enterprise solutions with the US call centre vendor Aspect Telecommunications. "Via a browser, computers are suddenly able to communicate regardless of the hurdles that existed before, whether different operating systems or geographical separation.

spoken to an agent, too. Internet technologies also

promise to deliver informa-

tion about the customer that

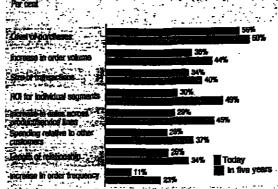
The trick is now to exploit this capability, over an intranet or extranet, imaginatively and skilfully to deliver a level of service that beats the competitor." Improvements to Interac

tive Voice Recognition (IVR) systems are high on the agenda too. Customers are increasingly fed up with over-articulating "yes" and no" down the phone.

Natural language technology, which interprets customer queries as they are paturally expressed, provides the leading edge. though to date only a handful of such systems are running in either the US or The industry needs a tool

that will avoid the need for experts in speech application sign," says Bill Meisel, of US consultancy TMA Associates. He explains that a system which tries to anticipate what customers might say up front needs to be transcended by one that automatically creates a run-time

speech interpreter to deter-



mine the meaning of a caller's requests as these are

He believes Unisys' new natural language tools are a significant step towards this goal since they require no coding by developers and so potentially reduce big development costs

However, it will come as no surprise to seasoned observers to learn that, for all this technological potential, its application lags far behind. The biggest obstacle to call centre advance is the lack of integration at the back end with other enterprise systems.

Middleware

Advances in middleware technology that binds different software components together - are the key here. But there are definite problems of implementation.

In a typical bank, for example, the integrator may face systems built on an object-oriented backbone coupled to numerous customised relational databases and a mainframe hierarchical data centre. And this is to say nothing of different vendors' proprietary standards. Middleware might manage one or two of these relationships, but integrat-

Harry Harris, principal consultant for Europe with British middleware vendor Candle, believes successful integration today generally requires a large investment up front in an overall IT architecture, for which fev immediate returns may be

"But third party products are addressing end-to-end issues," he adds, explaining that the demands for smart call centres will be met by middleware "tricks" that in effect speak to heterogeneous environments and deliver real time perfor-

Technologically better news comes from Mr Bradshaw in the shape of dedicated call centre products that increasingly offer a wide range of capabilities which would take months to develop in-house.

The products are gradually getting closer to the ideals we believe they should meet," he says. "They will carry on improving, provided suppliers do not get too distracted by side issues such as fighting for control of the corporate web server. But, battling for the Internet high ground aside, Mr Bradshaw believes the reality is that much viable func-

somebot ne on to the please?

five years in the design of custor Details of the report by the Economist Intelligence Unit, which costs \$495 (\$295), can be found on http://www.eiu.com

deployed and that the chan-Dan Scott, marketing manager in Europe for the Canadian call centre vendor Nor-

tel, agrees with Mr Bradshaw in pointing out one prevailing attitude, in particular: businesses tend to regard call centres as cost centres rather than potential

The point is that call centres should not be run primarily to save money, but to make money, steal a march on competitors and, hopefully, enter new markets. "This is particularly the

case when it comes to intan-

Customer relationship the call centre should be focused on, is such an issue of customers.

"But people in business still think about raw information and market data. Only technology can turn this into real knowledge."

Nortel is heavily committed in an educative push to get this message out to the market. If it and others succeed, a great service to technology as a whole will have for the benefit of call cen-

NEW BUSINESS APPLICATIONS by Michael Wiltshire

Vendors of call systems share a common vision

Contact centres will eventually integrate traditional customer services with speech systems and other digital applications

manages the queue of

Call processing also

includes predictive dialling, which automatically dials

outbound calls and waits for

someone to answer before

directing the call to a CSR.

interactive voice response

(TVR), directs customers to

information prior to (or in

place of) a conversation with service representative.

Advances include speech

recognition applications,

plus digital recording and

☐ Computer telephone

common example of CTI is

capture the incoming phone

information from a database

using the same number, and

representative who can scan

details about the caller on a

telephone screen as the call

If the caller needs to be

CTI software enables all the gathered information to be sent on the other "rep".

☐ Costomer interaction software: this helps to

between customers or staff,

usually assisting the service

rep to solve a problem that prompted the incoming call.

manage communications

Advances in this

technology will focus on

integration of workflow/

routing automation that captures and redirects the

service request, says the

Spending on call centre

technology worldwide was

\$4.5bn in 1996, although the

bulk of this investment was

in North America. Britain is

The market for inbound

call processing systems was

worth \$1.8bn, while sales of

amounted to \$600m; sales for

the only established

European market, says

outbound call systems

\$600m.

IVR systems were worth

Call centre companies

verticalindustry markets -

for example, Pegasystems in

the banking sector, and SCT

have long targeted

PwC report.

transferred to another

the use of a "caller ID" to

number, select customer

then assign a service

integration (CTI). A

use touch-tone telephones to

waiting customers.

Another facility,

collect or provide

Call centres, or customer contact points, have traditionally operated by voice telephony. Thus the main system suppliers came from the telecoms community.

Today, however, new communication channels, including electronic mail and the web, plus innovative applications, are bringing other system vendors to the marketplace, especially from the networking and software Call centre vendors are

now converging towards a common vision: a customer contact centre that integrates in-bound and outward bound communications on a voice/ data switch, says the 1999 Technology Forecast by the

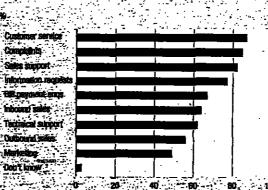
PricewaterhouseCoopers · (PwC) Technology Centre.* This voice/data switch will include standard operating system application programme interfaces (APIs); it will also support multimedia relationships, including synchronisation of data from different media and provide "a total customer view through access to workflow and other

enterprise applications", says the PwC report. Furthermore, the addition of a knowledge-base capability in call centre applications will assist customer service representative (CSRs) to provide more efficient

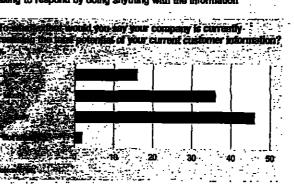
responses. Business investment in call centres is typically geared towards improving customer services. increasing staff productivity and generating additional revenues through what is termed "up-selling" or cross-selling. However, today's systems tend to be targeted towards just one or two of these goals, but future call centres will increasingly achieve integration of all three functions, says the PwC report. The main categories of call centre technologies

☐ Call processing: including automatic call distribution (ACD), which routes inbound calls to open customer service representatives (CSRs) and

Functions covered by call centres



Most companies with call centres tend to use them reactively, but functions given the least priority are outward bound sales and marketing, says a new report. 'Knowing Your Customer' by KPMG g. Only 16 per cent of companies surveyed sald they were recorded customer complaints, more than half the busines failing to respond by doing anything with the information





Utilities supplying utility companies, while others (Clarify, Siebel/Scopus, Vantive), have offered more generic products. A recent trend has been for generic providers to offer product versions targeted at vertical markets.

* Technology Forecast, 1999: \$450; details are available in the US on +1-314-997-1351; or fax +1-314-997-1851; web site address: www.pwcglobal. com/tech-centre.

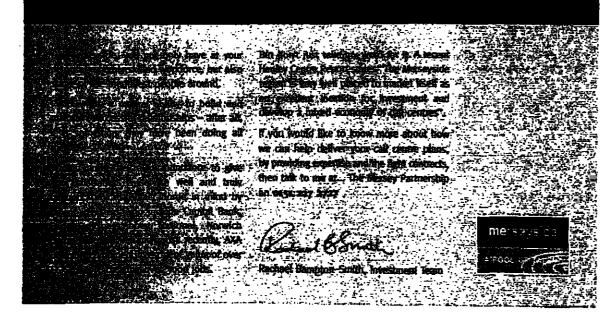
☐ See also: "Managing Customer Relationships lessons from the leaders"; executive briefing by the Economist Intelligence Unit and Andersen Consulting: web site: http://www.eiu.com (e-mail addresses: newyork@eiu.com and

Outsourced services: see report, page 7.

london@elu.com).



On Merseyside relationship building comes naturally.



Can somebody come on to the *line, please?

Despite advances in automated call technology, most people want to talk to a real person, not just a disembodied voice

Compaq, the world's largest maker of personal computers, manages to keep a healthy distance from one current technology vogue. Interactive Voice Response, or IVR, is the term for automated customer service lines that require callers to continue pressing telephone buttons as they are transferred through different service

lain Murray, information management manager at Compaq's new £25m UK call centre in Glasgow, shares the popular distaste for IVR systems that demand too much time from the caller before a real human voice is found. "As a company, we have a policy of minimum use of IVR systems. Some people hang up straightaway when they get an IVR system at the other end of the

The Compaq call centre does employ some IVR technology, but Murray stresses it is a limited use, primarily for late-hour calls. "The whole point of having a call centre is that it allows you to talk to your customer.

One new method of getting in contact with those customers is a cheap and practical piece of software from a small UK company called PhoneMe. The service which PhoneMe offers to call centres consists of an Internetrelated freephone number that callers access by clicking a button on the screen of the company web site.

So a customer making an the PhoneMe button and is directed to type in his own then linked via the PhoneMe

automatically routing a call from a Compaq call centre agent through to the prospective customer.

Damon Oldcorn, founder and managing director of PhoneMe, explains that simplicity and speed of service are key to his product.

"For customers such as Compaq, the important objective is to capture the interest of someone who has come across their web site while browsing on the Internet before that person wanders off to another site."

The temptation to click on the freephone button is considerable, and as the phone rings back almost instantly there is none of the frustration of working through the disembodied voice and numerous prompts of an IVR

Free calls

The fees that Compaq pays for the PhoneMe service are based on the billing structure of mobile phone companies. PhoneMe costs £495 (\$820) to set up for each client plus a monthly rental of £50. The calls are free to the individual caller, with Compag meeting the cost.

"PhoneMe is a novelty, and it's inexpensive for us to operate," Mr Murray says. But we are still looking for technology that goes beyond this kind of service. We see call centres as working alongside Internet-based queries."

But members of the public enquiry about Compaq hits have been slow to exploit the simple Internet-response option. According to the latphone number, which is est figures from Compaq, only 17 per cent of the visiswitch to the Glasgow call tors to its web site who call centre staff. It places 500 Switch to the Grasgow tan to the com- staff in call centres every rentre. The PhoneMe switch decide to speak to the com- staff in call centres every reconciles the two numbers, pany use the PhoneMe

ontion, while the remaining 83 per cent pick up their phone and dial the number manually.

Not every transaction contact. Trevor Crooks, UK senior manager for call centre solutions at Nortel, the Canadian telecoms giant. notes that some potential customers for credit card purchases prefer to enter their card details in a box on a web site screen rather than divulge them to a anonymous telephone operator.

Nortel's switching equipment sits at the heart of many call centres and company phone exchanges. Its Symposium range sells for between \$25,000 and \$500,000. Hewlett-Packard has

installed a Symposium switch and associated call centre software at its computer products support centre in the Netherlands.

According to Mr Crooks, the 450 phone agents there take 18,000 calls a day from across Europe, the Middle East and Africa. "HP has identified 650 types of call that might arrive there. So they have to be able to distinguish between types of call and route them to the right agent.

The Nortel Symposium switch contains software that picks up on the point of origin of each call, routing it to an agent with the appropriate language. This is what Nortel calls "granularity". the ability to filter each call through the structure of a massive call centre to the right human voice.

Call Centre Selection is a niche recruitment agency that helps select and train year, with clients such as

soon have another fight for survival on its hands.



"Can I help you?" An operator answers an enquiry at the Midlands distribution system from Rockwell distributes calls between MEB's four regional centres

other human beings and not

to listen to disembodied

prompts from an IVR sys-

tem. But that does not mean

that the boom in call centre

Neil Barrett is employed

by French computer services

group Bull to research the

next generation of technol-

ogy. He says the computer

telephone integration world

is beginning to take an inter-

est in computer games tech-

As the characters in these

games become more lifelike.

organisations such as BT are

looking at ways to employ

digitally created characters

and more people will access

interactive services from

home. So a helpline enquiry

could prompt a response

from a computer-generated

character appearing on a

digital TV screen to take

The nationality and per-

sonality of that character

would depend on the loca-

tion and demographic group

of the potential customer. It

seems that the human ele-

ment in call centres will

With digital TV sets, more

to staff future helplines.

recruitment will continue.

international calls group, and Card Protection Plan. the UK bankcard insurance

Managing director Malcolm Harris has watched the customer support line's love affair with IVR waning, "The original idea behind call centres was to allow companies to deal with customers in a human way. Then, IVR seemed like the best way of handling a large volume of calls. But it went too far. People become very irritated if they are trapped in an IVR loop demanding more and more responses from them. For most people, 45 seconds exposure to IVR is the limit.

After that they hang up." As calls begin to flow back to the human operator, companies realise that the quality of that agent reflects on their credibility. According to Mr Harris, the time taken to train a call centre agent has risen dramatically as businesses begin to worry about the image that each

agent projects. "Only a few years ago, agents were trained in two or three days. Now, companies will spend four to five weeks preparing a call centre agent to deal with their

The public wants to talk to Irish call centres: page 7



CUSTOMER SERVICE CASE STUDY

Fishing gear maker floats a helpful idea

product development and

The CTI system had to be integrated with the IBM AS/

400 computer system which

database records. It decided

equipped Rolm system, with

automatic telephone number

matches incoming telephone

incoming calls to its bicycle,

CallPath Server/2 from IBM,

calls are sorted and routed

along with any relevant

might be from dealers

from anglers needing

fishing rod reel.

placing new orders, from

cyclists wanting to replace

information on a Shimano

The Shimano account

manager automatically

receives the following

information on each call

the central database, a

history of previous calls

from the CTI system: who is

calling: customer data from

made by the customer, pas

queries and requirements of

customer; and the degree of

As the call proceeds, the

information and access other

data related to the caller's

queries. Any complaints or

suggestions are entered into

the customer; how these

queries were handled;

customer satisfaction.

account manager can

update the historical

products bought by the

their older Shimano gears or

information from the

to a customer service agent,

customer records database.

Calls into the telecentre

Using Rolm CaliBridge and

fishing or credit divisions.

improving products.

manages its customer

on an ISDN (integrated

digital services network)

This automatically

numbers with customer

records to help route

identification.

Applying computer telephony integration has produced information the company had not even thought about collecting

For Japanese company Shimano, a leading provider of bicycle components and fishing gear, installing a sophisticated call centre in its US subsidiary was part of a key goal - improving its

Shimano has worked hard service, guaranteeing its products with long warranties and promising to provide a double replacement for each faulty component.

The company has a world-wide reputation for the quality of its cycle components to protect Cycling enthusiasts seek out nachines that feature Shimano component and its line of fishing gear has won a large and loyal customer

Shimano decided to select a computer telephony integration system offered by Siemens Rolm, part of Germany's Siemens, It was attracted to the large emount of information a CTI system could provide its staff and the promises that such a system could not only improve customer service but also lead to a better understanding of its

business processes. Shimano installed a Siemens CTI system in its irvine, Califomia, customer service telecentre which deals with enquiries from its distributors, dealers and

customers. It wanted a CTI system that could help it manage a wide variety of customer calls and enable it to capture information from those customers that could be fed back to its headquarters to help in

Shimano says the system

has been working well and estimates set-up time per call has been reduced by as much as 30 seconds and average hold times have decreased by 50 percent.

In addition, average call times have been shortened because the service agent is better informed of what a customer needs and can feed queries and customer information back into the company for future action.

The Siemens CTI system also allows Shimano to use several applications not requiring service agents. Thus callers can gain access to information through an automated system and then choose to talk with an agent as an option.

Shimano says reliability was a core Issue in its choice of the Siemens CTI system and that it had heard good reports from other emens customers about service and system stability. So far, Shimano reports, there has been no downtime since the system was installed. Bill Crane, the

communications manager at Shimano American, says the CTI system has enabled it to collect detailed information about every call that comes in to the company. "We know who made it, why it was made, how it was handled and all the ways it affected the customer database," he adds. CTI has brought other

benefits, yieldinginformation the company had not even thought about collecting. That has been fed back to its marketing and manufacturing divisions. enabling them to improve the quality of products.

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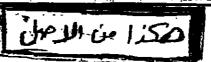


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Why so many organisations are embracing the CRM trend

To be successful, any project in support of customer relations must be integrated with behavioural change across the business

Customer relationship management on to another market segment or is a term that will see plenty of use this year. A recent survey commissioned by SAS Institute, the US software company, and carried out by Harris Research polled 100 large organisations in Britain for their views on CRM. While 59 per cent had a CRM strategy, 90 per cent did not have integrated data on their customers and could not get a complete picture of each customer's

The idea of bringing all that data together and selling goods and services more effectively is obviously appealing. But behind much of the talk about "customer-focused operations" lies a desire to shed unprofitable customers and concentrate attention on the profitable

behaviour and needs.

ents of the market. At Andersen Consulting, 4,500 of the company's 53,000 employees are now involved in its CRM Practice. Dale Renner heads this unit from Minneapolis in the US. He admits that "thinking of moving

eliminating some groups of customers altogether" is a good reason why so many organisations are embracing the CRM trend.

Stephen Izatt is a founding member of SCorp, a UK-based niche marketing and technology company that aims to bridge the gap between IT and marketing to improve its clients' understanding of their marketolece. SCorp's brief takes it right into the CRM world. but Mr Izatt is profoundly sceptical about the way organisations rush

"It has emerged as a bit of a silver bullet," he says. "CRM is pushed primarily by IT companies who go out there with a product that's really aligned to sales of their other computer software

to embrace CRM.

Mr Izatt has identified a classic IT industry sales pitch, taking expensive software to the customer without stopping to ask what the user's business really

"To be successful, any CRM

project must be integrated with behavioural change across the business. Good database and data mining tools are useful, but even then the suppliers tend to gravitate towards product relationships with other companies."

Mr Izatt recognises a new corporate habit, using the popular CRM label to claim credit for some fairly basic business practice. "A lot of the functionality in CRM is good-old fashioned management of a customer base," he says.

Methods Application is a recruitment consultancy, locating and placing IT strategists and business analysts with clients including British Airways. Managing director Tony Webb is responding to the call for senior staff to create CRM solutions. But like Mr Izett. he takes a broad view of the trend.

"People have had marketing databases for a long time. CRM involves using older ideas, such as data warehousing, but using them

Britsh American Tobacco, which last month made an agreed bid for

Rothmans International, has the deep pockets necessary to invest in large-scale change, it has spent £10m on a CRM operation pulling together data for staff in its wholesale distribution business For Hans Niedermann. London-based head of BAT's

global trade marketing and distribution division, the real issue is what he calls micro-marketing. "We want to look at particula customers in detail so we can improve market share by a

Promoting a strategic brand in Europe

measurable amount."

In Belgium, BAT has targeted specific stores and restaurants for increased sales of Lucky Strike cigarettes. While Mr Niedermann's staff do not sell direct to these locations, they will follow up the wholesale distributor by visiting retail outlets and promoting BAT brands – and in Belgium, Lucky Strike is a strategic brand for BAT. Software from Slebel of the US,

which claims a dominant position among CRM product providers, pulls together historical data on BAT customers and gives Mr Niedermann's "people at the sharp end", the field staff, the same information that BAT's marketing and distribution divisions possess. This customer information was traditionally held in functional silos.

Now, we have integrated it all." The project began in late 1997 and has been rolled out in six of BAT's national markets. It is an example of what can be achieved when CRM is hooked up to extensive spending and established business acumen.

The remarkable rise of call centres, with telephone agents summoning up screens of data on each caller, provides the foundation for the CRM boom. Telephone queries are an obvious point of customer contact and can be exploited to boost sales. companies react angrily to suggestions that their activities are no different from the Computer

Integrated Telephony (CTI) pragmatic. Phil Padfield.

international vice-president at Inference, the customer service software house, addresses the difference between CTI and CRM: "CTI improves the operational efficiency of the telephone call centre. CRM is about the interface between the organisation and the

"We help people resolve questions, capturing best practice, so when a call centre agent uses the knowledge base brought together by us, it's like they're talking to the best person in the company.*

Inference's Kcommerce software is used by customers such as Bupa, the UK private healthcare

At Buca, customers can be signed up with one of 160 different types of policy. Many are part of a corporate plan, which means their company may shift to another health insurance group if they have call centre agent. Some existing customers could benefit by moving to a higher band of service, but the agent needs the right information to spot that opportunity. Kcommerce la dialogue-based

agent puts the caller's questions into the system in a truncated

Operating as a diagnosis tool, Kcommerce then identifies the subscribers' particular problem and provides options for that customer.

Bupa has 800 phone agents at two call centres in Britain. In the first three months that they were accessing Kcommerce, the rate of approval and agreement for treatment per call rose from 55 per cent to 75 per cent.

Bupa had found a way to retain existing customers in the highly competitive health insurance market and has now shortened its claims payment period from 21 to three days because its executives have increased confidence in the

approval process.

Bupa spent more than £1m on the entire project to integrate KCommerce with the call centre oing live at the beginning of 1998. This is CRM, but it is effective CRM because it recognises the very definite call centre heritage of one of the IT inclustry's favourite acronyms of the moment.

SERVICES by Nuala Moran

More companies seek specialist suppliers

Outsourcing the management of customer care services can help overcome the high cost of maintaining call centres

their marketing pitch, arguing that handing over control of computer systems and the business processes that run on them will allow companies to concentrate on

core management functions. But when it comes to call ment begs the question: What could be more central any company than looking after its own custom-

Modern business philosophy dictates that customer needed to set up and care management is the core activity in every company. tures are being redesigned to reflect this with the call centre no longer an afterthought hanging off the edge

but completely integrated into the rest of the systems. Given this, how could any company decide it wants the customer helplines to be run and staffed by the employees and one that may also be providing the same services

Yet the evidence is that increasingly, companies are the expertise of call centre outsourcing customer care service providers without to service providers. In 1997, having to invest in equip-

for a competitor?

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The IT outsourcing suppliers the US call centre services ment or human resources, have put the notion of core market generated \$18.3bn in However, there is all competence at the heart of revenues, with 15.5 per cent compound annual growth expected up to 2004.

This finding comes from the market research company Frost and Sullivan, which says that an increasing trend to outsource call centre services is the main centre outsourcing this argu-factor fuelling market

Companies are turning to specialist call centre outsourcing companies to overcome the dual restraints of the high capital outlays upgrade centres and the spiralling costs associated with Increasingly, IT architect he notoriously fast staff turnover suffered by the sec-

> Frost and Sullivan pinpoints an increasing focus on improving customer service levels as one of the factors driving the development of the outsourced call centre market in the US. It is also the case that, as specialists, outsourcers are generally able to run centres at a lower cost than in-house services. Outsourcing allows companies to benefit from

However, there is also widespread apprehension that outsourcing will reduce internal control of a key function and make it impossible for companies to monitor the level of service provided to their customers. Customers, both business-

to-business and consumers, now expect to be able to deal with a company by telephone and have rising expectations of the service they will receive. This means companies must be organised to deal with enquiries using specially trained staff who have the answers at their fingertips.

Steve Coburn, chief financial officer of the US outsourcing company Teletech. says this is persuading companies to outsource. "Although an organisation may put customer care at its core, the reality is that when you look at the hierarchy. the people providing cuser care are at the lower end." he adds.

"It is because the management of the customer interface is of critical importance that companies should consider outsourcing call centre operations. The skills that are required to manage the

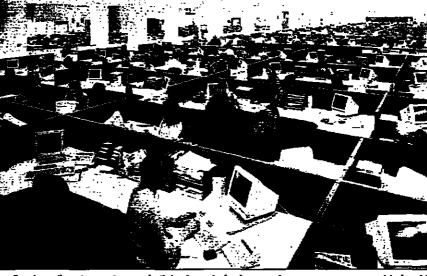
customer interface are not core to most organisations." Although employed by Teletech, call centre agents are given training which emphasises the culture of the company they will be representing. These agents are full-time and are never shared with other clients," he says. "They become subject matter experts and

receive ongoing training." But, says Mr Coburn, there is much more to running a call centre than merely teaching people how to answer the phone. "There is a lot of complexity in this business, and it is difficult to

"If you are not a specialist. how are you going to cope if an emergency triples the volime of calls?

Outsourcing service providers, such as Teletech, provide customised packages in which they do everything from the ground up, including finding sites and building the centres, installing the technology and employing and training the staff. Increasingly, the interface

with the customer is not limited to the telephone. "Customers need to be able to make contact in the way that suits them, maybe by phone but also by fax and over the Internet," he adds. Lennie Moffat, managing says Mr Moffat.



s-to-business and consumers, now expect to be able

by a query from one member

of staff who asked: "Lennie.

Centres on the Isle of Bute in western Scotland, agrees. "The strength of our story is the people and our ability to integrate our call centre into the client's systems" he do I really work for TSC or says. says. "For example, we are do I work for Alcatel?" seen as a branch of the

them. "Similarly, with the Royal Bank of Scotland, we are online to their mainframes

and are seen as any other branch. We have access to files and can update them." TSC also runs the British customer helpline for the telecoms company, Alcatel.

"We are building such a high level of competence in Alcatel's products and services that we are often able to solve problems at the first call without escalating it to Alcatel's own support staff,"

He suggests that the example, limits our turnover extent to which staff are to between 3 and 4 per cent a steeped in the culture of the

"The point is that, some evidence that nervous-Woolwich [bank] and send although we have a tremen- ness about the lack of con-

year, compared with an client company is reflected industry average of 25 to 30 per cent, our staff strongly identify with the client," he

However, there is now

to move outsourced services back in-house, according to The Merchants Group, a specialist call centre operator. This is enabling it to develop in-house expertise

and take back control of a very sensitive part of their operations. "We have had many requests for staff to work as

in-sourced personnel," says Sally Elsdon at The Merchants Group. "Our staff take with them our standards of professionalism and productivity.

"Their ability to absorb the client company's culture results in a successful skills transfer."

An example of in-sourcing is the Mercedes-Benz UK customer assistance centre. which has a team of 18 trained staff from Merchants Group. Klaus Ulkann, director of parts and service for Mercedes, says: "We have achieved a high level of service and also a service that has the ability to dovetail with future European devel-

A further eight Merchants staff will be 'implanted' into Mercedes' international call centre in

For more complex

encountered in various

countries, Mr McCormick says

the biggest surprise was how

similar they are. "People's IT

He estimates that there are

huge so we have to be able to

Some countries do differ in

Germans, for example, do not

around 10m Compaq users

and 500,000 users of Digital

products in Europe. "The

Compag installed base is

handle potentially large

amounts of traffic," he says.

their telephone manner. The

like queueing on the phone

and will hang up in half the

The Swiss and the Spanish,

on the other hand, have

computer-operated voice

But customer support is

investment in Dublin. "Every

computer company is in a

race to crack the customer

loyalty test which will deliver a

new generation of buyers for

support costs - perhaps 3 to

4 per cent of the product. But

it is a small price to pay if you

problems dealing with

only part of the reason

Compaq is making the

their PCs," says Mr

Cadwallader. "The PC

business generates high

systems.

time the British do on average

if their calls are not answered.

problems are uniform." he

enquirles, support technicians



CASE STUDY **IRISH CALL CENTRES**

Suppliers woo the next generation of PC users

There are now 100 Irish-based call centres serving the pan-European market. employing approximately 12,000 people

The thousands of Compaq customers in Europe who ring the US computer group's support line every day are unlikely to have any idea where their calls are being

answered. The answer is Dublin, where a new \$25m call centre has recently been opened to house the support operations of both Compag and Digital Equipment following the

merger of the two groups. The new centre employs 1,000 people and is able to handle 3m calis a vear, a third more than Compaq now receives.

Gareth Cadwallader, Compaq's director of customer services for the UK and Ireland, says there were a number of reasons for choosing Dublin as the location for its European support operations.

These included the high level of information technology infrastructure in the Irish Republic, characterised by a strong network of IT suppliers. There was also the fact that Dublin has a highly educated and IT-literate young labour force and a bias towards

foreign languages. "Dublin itself is seen as an attractive place to get young people from other parts of Europe to move to work," says Mr Cadwallader. For many young people, working in call centres is seen as work experience from which they

will soon move on. The attractive location - the centre sits next to the citv's University College - was an important factor in Compan's choice. Other PC manufacturers

such as Dell Computer, Gateway 2000 and Oracle the US software company, have also chosen ireland for their

work alongside the operators. Should they be unable to solve the problem, the Dublin centre is linked to Compag expertise centres throughout Europe. For example, in Reading, Berkshire, Compaq has established a unit dealing solely with Compaq products relating to Cisco networking Middle East and the US. equipment. In fact, a medium-sized call Rather than noting any big differences in problems

resources of the Irish

Chartie McCormick manager of the Compaq centre, says this is the bigges centre. "The difficulty is in getting staff with the right mixture of language and technical skills," he says. There is also a need to

what we are always working

Queries range from the Home users are dealt with

Christopher Price

DATA WAREHOUSING by Rod Newing Customer information is the fuel

With data warehousing technology, organisations can fully integrate their customer service and relationship management applications to stimulate loyalty and maximise benefits

Organisations have an tion of data, whilst customer increasing number of ways of communicating with their customers. These include direct response mail. call centres, branches in various locations, help desks, direct sales forces, web sites and digital television. However, each major system only provides information on part of the total relationship with the customer.

Customers increasingly expect all their communications and relationships with the organisation to be recognised by the staff with whom they deal. Thus a single integrated view of prospect and customer data is the essential foundation to supporting a range of customer service

The data warehouse is a ... separate store of transac- ers and integrate communitional data that provides a cations across a range of single integrated view of the marketing channels, includcustomer. It provides a strategic infrastructure for decision support that provides an ideal back-end to a variety of tactical front-end customer service applications. generally known as "customer relationship manage ment" systems.

"They are two sides of the same coin, says Shaun Kelly, managing director of Data Warehouse Network, an independent consulting and research company. "Data warehousing is the invisible 90 per cent integra-

relationship management is the visible 10 per cent exploitation of that data."

The data warehouse makes possible complex analysis to understand the behaviour of customers, measure customer profitability, observe customer life-cycles, know how soon each one is likely to make a major purchase, learn what drives customer loyalty and assess each customer's penetration into the product range.

All this enables an organisation to communicate with customers through customer service systems and feed the results of that communication back into the data warehouse. This provides a mechanism to understand the value of individual customing the call centre, web site,

branches and direct mail. This knowledge then drives more powerful marketing programmes. For example, traditional direct mail typically generates response rates of between 0.5 and I per cent. However. Mr Kelly says that through segmentation in the data warehouse, direct mail to a segment of 20,000 out of 50,000 can raise response rates to e-g ber cent

warehouse to communicate

rate to rise to 50 per cent, he claims. This is achieved by triggering a sales event every time a real world event happens in the life offhe customer, such as a change of job, marriage, chil-

dren, holidays and so on. as an asset into the organisation is essential to a successful marriage between cusrelationship tomer management and data waremanaging director of Integrated Sales Systems, whose Oxygen software automates sales and marketing pro-

with each customer individ-

ually causes the response

"This helps to maximise data. return on the customer, as well as maximising customer retention, and enables the organisation to measure the costòmer as an asset." David Musson, a business

Siemens, sees the relation- as the advent of digital teleship as a closed loop system. "The data warehouse is at the centre, because it is where customer behaviour is kept and the relationship is data everybody needs withdriven from," he says. "It out creating 'point' solu-allows you to track custom- tions," adds Ms Down. allows you to track customers individually, interact with them through the customer service applicationsand then integrate the feedback from those

However, using the data interactions. "Integration is vital in

The state of the s

customers. If they walk into a branch, the staff must know that they complained about something to the call centre vesterday." Integration is a vital issue

when considering the use of data marts. These are subsets of data set up for a specific application and fed from the data warehouse. They are vital to generating benefits from the underlying data, with different groups "Integrating the customer having their own data mart for different purposes, but based on the same data. However, some vendors

are encouraging organisations to go for a "quick kill" housing," says Stuart Penny, by implementing data marts without the underlying data warehouse. This dispenses with the single view of the customer and results in everybody having different

"It is vital to take an enterprise approach to the use of information," says Jackie Down, director of data warehousing at NCR. the US high-end data wareintelligence consultant at housing vendor, especially vision will bring in a lot more data.

> "The biggest problem is making sure you collect the "Those tempted by the lower cost of a data mart would be better off looking for a prebuilt industry specific data warehouse solution to save

Another advantage of a information wars!"

of a new industrial revolution the management information it makes available. "The reporting components of customer service packages are the last thing to be thought about," says Karl Ward, data warehousing competency leader at KPMG Management Consulting, "Call centre software is very good at automating call centre processes, but is not designed for decision support. You need a data warehouse to feed an analytical data mart

for management informa-

only technology that enables

Data warehousing is the

organisations to fully integrate customer service and relationship management applications in order to maximise the benefits from them. "The main problem is that too many companies still look at different areas of the customer relationship in isolation." says Phil Winters. president for European marketing at SAS Institute, the decision support specialist, "rather than seeing customer relationship management as an integral element of overall business strategy.

The need for an enterprisewide information strategy has never been stronger. "Information is the fuel of a new industrial revolution." concludes Mr Kelly, "Information warriors are using mass customisation as their strategy and customer relationship management as their weapon. Loyal customers will be the spoils of the

There are, in fact, 100 Irish-based call centres serving the pan-European market, employing approximately 12,000 people. Apart from Europe, other markets served from Ireland include South Africa, the

centre will generate more International calls than an average Irish city. However, Compaq worries that the demands of the burgeonina industry are exhausting even the rich

challenge facing the new keep staff motivated towards their goals. "It is about giving the customer the best possible experience. That is

The centre supports nine European languages. Operators are divided between languages and technical skills.

The integrated call centre system, supplied by Lucent Technologies, routes calls, which are made to exchanges in the caller's country of origin, by language to those operatives able to speak that particular tongué.

mundane, such as the non-delivery of a particular product to the complex. The frontline operators deal with the vast majority of calls. usually within 20 minutes for business customers, says Mr McCormick.

can give such good customer satisfaction that they will always buy your products."

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Technology in forefront of Spanish banking market

The primacy of the traditional branch is being increasingly questioned as new payment and distribution channels gain rapidly in popularity among customers

a ferment, with intense competition and falling margins driving a wave of consolidation and change.

WEDSTSDAY FI HIGH ARE

S AREN'T

Technology is in the front line of this revolution, boosting productivity, forging closer customer relation. ships and creating new chan-

"The successful bank of the future will be a fully integrated, multiple-channel business," says Pedro Vichels, manager for Span-ish banking with Cap Gemini, the Anglo-French IT services group.

These are brave words in a country where cash bas tra-ditionally been king and bank branches can seemingly be found on every

More than 150 banks compete for the loyalty of Spanish customers and the ratio of branches to customers is twice that of France and three times higher than in

But the primacy of the bank branch is being eral Spanish banks have increasingly questioned as more Spaniards warm to the advantages of plastic cards and new channels such as automated teller machines. phone banking or the inter-

Also, the aggressive expansion of branch numbers has burdened many banks with bloated payrolls and high costs. The arrival of the euro has now set the alarm bells ringing.

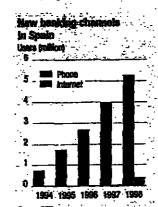
The sharp fall in interest rates that allowed Spain's entry into the euro-zone has halved margins and forced the more profligate banks to

cut their costs. One obvious solution is to merge operations to achieve economies of scale. Analysts are already predicting a wave of consolidation among euro-zone banks that cannot adapt to today's leaner

Barely two weeks after the arrival of the euro, the dirst such merger was announced between two of Spain's largest banks. Ranco Santande and Banco Central Hispano. The proposed new entity, BSCH, will have 6,350 branches, 17 per cent of the market, and be Spain's big-

BSCH hopes to achieve Ptal00bn (\$694m) in cost savings in three years through redundancies, centralising back office functions and reducing the branch count.

"The expansion in branches is now coming to an end as banks realise it is crazy to compete by opening new ones," says Carlos Vidal, a partner with Ander-



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La Scala Opera House Name of Montes have

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Carlos Vidal of Anderson Consulting: The expansion of branches is coming to an end?

sen Consulting's financial services practice in Madrid. The new focus is on improving efficiency of the branch network and the profitability of each customer. To achieve this, sevforged alliances with systems houses such as Andersen Consulting, EDS

The aim is to redesign their systems around a sin-

Customer representatives

continue cations company

enquiries a week via the

in Darlington and Bristol.

Using advanced call

routing technology from

Commerce, Orange is able

to operate the two locations

as a single centre operation

erchitecture thus creates a

'virtual call centre" across

elecoms company which

A services' helpdesk deals

employs 1,000 customer

with a wide range of calls,

ervice "reps".

Rockwell Electronic

This open call centre

several sites, says the

company's UK call centres

deal with more than 250,000

for Orange, the mobile

and so rationalise the mishmash of incompatible systems and antiquated technology, a common problem for larger banks which have

grown through acquisition. Traditionally, this has been a complex task but Andersen Consulting claims the job can be made much easier using its Altamira product. This allows banks to build a complete retail banking system from a range of modules.

Today, there are around 30 modules covering everything from treasury management to credit card handling. Altamira was originally

developed by a small Spanish savings bank in 1989. Andersen took over the development of the product and has sold it to more than .70 banks. The product has under-

gone several evolutions such as the shift to client-server architecture and, more recently, Unix. BankBoston of the US and several Spanish institutions have used it to expand into the fast-growing Latin American market. Deutsche Bank, Germany's

biggest bank, which has one of Europe's most extensive banking networks, employed

Technology helps to ensure that each enquiry automatically reaches a representative with the right

skills and training to handle the cell. Orange employs 1,000 staff to handle customer enquines

Orange builds a 'virtual call centre'

collections, registr

handset enquirie

fines for specific

and stolen" line.

technical support and

In addition, Orange

operates several dedicated

added-value services, such

as call-roaming and a "lost

All these calls are handled

centre structure. Rockwell's

ically reaches an

within a centralised call

Spectrum system uses

multiple skill queueing to

ensure that each enquiry

agent with the right skills

and training to handle the

. Computer telephony

integration also provides

including billing enquiries,

gle coherent "framework" Altamira to build up its presence in Spain rapidly.

Mr Vidal says Altamira enables banks not just to handle transactions more efficiently, but also to provide detailed customer information that helps them to sell higher-margin products such as mutual funds.

Bankinter, one of Spain's second-tier banks, is way ahead in this area and its information technology systems offer a level of data and financial control that is the envy of entire industry. EDS is beloing Bankinter to sell the platform to other interested banks.

Technology is also poised to play a critical role in creating low-cost delivery channels. ATMs have led the drive to bring down costs, and Spain has one of the most extensive networks in

The latest ATMs do far more than just dispense cash. They can reserve cinema tickets, check job vacancies and charge electronic purses, while Santander says its machines will soon allow customers to buy

Telephone banking is an area where Spanish banks succumb to the professional have invested heavily in

information from a clien

Orange says that the

operation is helping the

Increased efficiency

call centre operation to

handle double the number

of calls, compared to 18

the same number of

operators.

months ago, but with almost

Michael Wiltshire

following investment in IT

systems allows the Orange

company "to maintain the

edvanced call centre

build closer custo

relationships.

in the industry."

database, enabling staff to



recent years. Today, more cent in 1998 to 5m, reports than 60 institutions offer DBK, a Madrid consultancy. telephone banking and the

The larger institutions

which see in this a way to extend their reach beyond their limited branch net-

early 1990s and today there

are more than 60 banks

offering telephone-based ser-

vices. One of the longest established is Santander's

Superlinea service, with

Francisco Rodriguez, who

heads Banco Santander's vir-

tual banking division, says

the average cost of handling

a transaction by Superlinea

is Pta52, and for the 70,000

users of its Internet-based

service, Supernet, the cost

drops to just Pta3. The aver-

age cost of a branch-based

The most recent converts

to phone and internet bank-

ing are Spain's savings

banks, cajas de altorros,

transaction is Pta120.

around 700,000 users.

The caias typically have a year,

banking operations in the local or regional focus. although La Caixa, Spain's largest savings bank, has extended well beyond its native Catalonia and now has 3,600 branches nation-

La Caixa has a reputation for technological innovation and recently signed a deal with Microsoft to distribute Money 99, Microsoft's home finance package, to users of its Internet banking service. The deal will allow them to conduct transactions using Money 99 and receive realtime financial prices.

Today, 20 Spanish banks allow their customers to perform transactions on the Internet. Meanwhile, DBK predicts the popularity of this new channel will grow dramatically from 300,000 users in 1998 to around a million by the end of this

erence compounds other

The Customer Contact

Company is one British con-

sultancy that preaches what

many call centre managers

might regard as extreme

means, though only because

of the extreme need to reach

focus totally on how to deal

with people," says Tony Col-

lins, chief executive. "This

means that agents must not

only enjoy what they are

doing but empathise with

each individual caller, vis-

ualising in their mind what

Agents trained by Mr Col-

lins are therefore sent to golf

courses, encouraged to read

daily newspapers and to

meet to talk with colleagues regularly throughout the

day. And if the traditional

call centre manager's natu-

ral response is to laugh T all

this, Mr Collins can point to

"Our conversion rates go up," he says. "For example,

Royal Sun Alliance achieved

35 per cent on a European investment product which

was twice the UK average."

the tide is turning, with

the technology will not work

the miracle by itself.

There are indicators that

they are like."

actual results.

"When training agents, we

the "satisfactory" end.

CUSTOMER REACTIONS by Mark Vernon

Keeping callers happy

The majority of customers say they would prefer to go to another company if a single telephone call is badly handled

For all its commercial ling customer frustration success, an increasing number of commentators are asking whether the call centre industry is actually in a cri-

The cause for concern will come as no surprise to many customer dissatisfaction coupled with agent attrition as those dealing with calls

and emotional strain. The simple fact is that customers no longer make allowances when on the telephone as if the facility was some sort of novelty. That luxury has passed to the

Managers are now faced with placating a wave of irritated and confused custom-

ers. The question is: how? The good news is that people are now persuaded of the telephone's convenience and, even among the often sceptical UK population, are more inclined to trust a disembodied voice. But any sign that customers are

irritant," explains Marcus tre consumer research con-

human elements of friendliness, warmth and professionalism take second place to the raw issue of speed, consumers are unforgiving on the human elements too, with 68 per cent saying they would prefer to go to another company if just a single call is badly handled."

basic retail operations.

pays. But if the problem is readily identified and the solution easily cost-justified. the remedy is another matter altogether. How can it

actually be done? Gartner Group points to one crucial issue in a report appositely called Call Centre Metrics: When Metrics Do Not Measure Success. Traditional metrics are

numeric. They measure call times and length of queues or completion rates, and so define efficiency. However, while pointing

becoming dissatisfied is bad news for call centres. "If calls are not dealt with quickly and efficiently, it rapidly becomes a consumer

"In fact, although the

The situation gets worse. The research shows that, although 33 per cent of callers describe their mood as optimistic before calling, only 12 per cent are in that frame of mind after contact. Seven per cent are "despairing" and 9 per cent

are "furious". What is perhaps surprising is the extent of the savings that result from reducing the customer disloyalty that results.

A recent article in the Har-

vard Business Review predicts that reducing defections by just 5 per cent increases profits by up to 85 per cent for certain financial service transactions and by at least 30 per cent for more The message is clear: tackto quality management that another pressing problem also keep tabs on an inevita- not just because unhappy ble increase in cost. Eyretel, a British combad, too, but because bellig-

pany, offers tool sets that allow the quality manager to set up an automated call selection plan to monitor and highlight calls that can be classified as "abnormal" in some way.

Gareth Johnson, head of international business development explains: "For example, in the direct pension operation, a typical call can be expected to last a certain length of time since a sale will take, say, 10 minutes.

"Calls that take longer than this might be ones that reveal problems either with internal processes or with



In the public sector there is an increasing demand for call centres. according to a survey by ISE, the call centre software specialists. These contact centres enable local authorities to provide on-the-spot responses and rapid access to council services

out that this is important, the customers themselves. Gartner Group also says that issues such as customer satisfaction are rarely touched, let alone analysed in any

In fact, relatively simple the problem. For example. pure efficiency metrics encourage agents in bad habits, taking short cuts that save time but give, say, only partial answers to customer questions, or actually hanging up when confronted with too great a challenge. These clearly have a detrimental impact on customer satisfaction, but when measured by traditional metrics might

well produce "good" results. So if the metrics need revi-

"Alternatively, if a converand an agent is registered as overlapping by more than say 10 per cent, this might well indicate some kind of issues reveal the extent of confrontation, with customer dissatisfaction as the result.

> The goal is that the call centre be viewed as a business tool in its own right. Ultimately, what might be called "voice mining tools" can then be applied to voice databanks of recorded calls. Correlations which reveal

unexpected marketing opportunities, hidden reasons for customer attrition or suggestions for new product strategies might then be sion. how can this be drawn from voice data much achieved effectively? Auto- as they are from data waremated tools are one solution houses. Agent attrition is

"We see two changes in particular," says Tim Bishop, business marketing manager with Siemens Communications. "First, call centre use is moving away from transaction processing to providing specialist knowledge. And secondly, organisations are getting focused on the lifetime value of customers rather than just the profit from an individual

Exemplar customers of Siemens implement automatic outbound call schedules to follow up on a customer's earlier call and systems which can recreate the call in every aspect to monitor the customer experience precisely, he says.

Furthermore, if a company expresses an interest to Siemens in a call centre, one of its business consultants will first identify goals, assess implications and define best

"This is hard work for customers. And it's hard work for us, too, when you come from a tradition of technology-will-do-it-all," Mr Bishop

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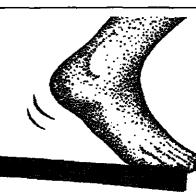
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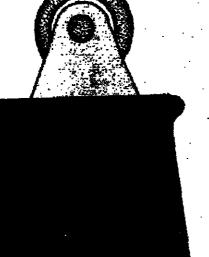
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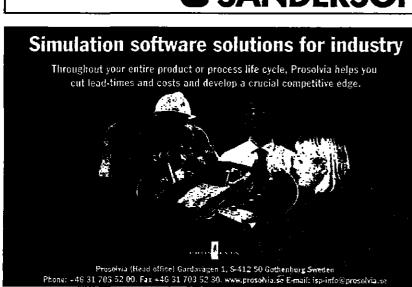
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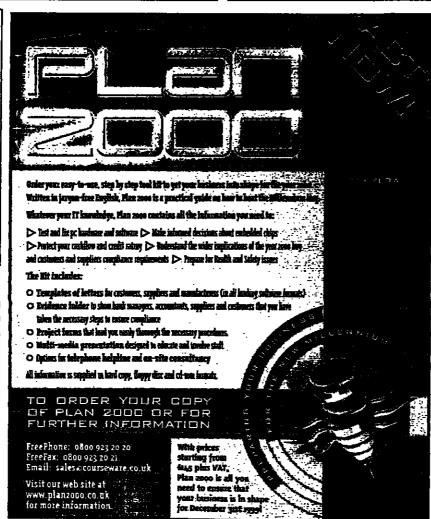
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MANAGING MULTILINGUAL CALL CENTRES by Joia Shillingford

It's not just a question of knowing the language

A multilingual call centre can offer many business advantages, but operators in service centres need to have lived in a country for a while to understand the cultural differences

Attitudes to service over the telephone vary between countries and freephone numbers are not uniform across Europe. So managing a pan-European call centre can be challenging.

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But, despite the technical obstacles, call centre managers say cultural issues are the biggest challenge.

"Providing service or supis not just a question of speaking the language," says Peter Robie, manager of workflow company Filenet's Dublin, "You need to have lived in their country for a while to understand the cultural differences.

We have to explain things differently for French, German and English customers. And someone who spoke, arrive randomly, but you say, German but had never lived in Germany would have a very difficult time."

So Mr Robie only employs native speakers or graduates who have spent at least a year abroad. But, he says, the market for graduates with language and computer skills is "very competitive". Ian Valentine, call centre

product manager at call-centre technology specialist Graham Technology in Edinburgh, believes softer issues are holding back the spread of distributed call centres.

Some companies have a "follow-the-sun policy", where a US call centre takes over when Europe is closed. But he says: "Very often the local knowledge isn't there. Or if the French call a US call centre and the French dialogue is not perfect, there is a barrier to get over.

Despite the problems, running a multilingual call centre has many advantages. Mr

of scale. "Because the overheads are spread over nearly afford to have an on-site lab-

a bug, support staff can European support centre in track it down to the precise ers can fix it quickly.

consultant at the London don't have to build in redundancy if you have many staff involved in different types of

gual call centres is fairly undeveloped as yet, says Mr Valentine. "But the good news is that technology can help overcome some cultural

phones a call centre using Graham Technology software, the software knows by the number dialled which country the caller is phoning from. It then displays an onscreen script in the caller's

of staff with, say, adequate French knows at once what to ask the caller and how to ask it. Local information can be included in the script and displayed at the same time.

In the stock market invest-

ment business, for example,

the number of hits on impor

tant web sites at times far exceeds the number of calls

to call centres. However,

expert consensus is that call

centres can stay in business

if they evolve appropriately and become integrated with

A web site is, of course,

much cheaper to set up than

a call centre and can provide

much information on a self-service basis more effec-

Federal Express reduced the number of calls to its

call centre by around a third by allowing customers to

check the status of their

orders themselves through the Internet. But there are

some things a well-managed call centre can do better

than a web site, such as resolving difficult queries that require a considerable

customers do not coincide.

"Call centre managers want

save money, but users want

says Jim Mitchell, chief tech-

Web-enabling the call cen-

tre could be the key to gen-

on a large scale, "Many

pleted online because the

person cannot get all the

information they need from

to go ahead," says Dave

Thomson, marketing man-

ager for systems designer

Aspect Telecommunications.

"If an agent could provide

tion, the deal would be

Web-enablement can take

various forms, from the

basic to the sophisticated. A

simple "call me" button on

done.

developer Davox.

amount of interaction. The problem is that the

web technology.

tively.

AGENTS by George Black

combine web and call centre technologies

Customer contact centres need to adapt rapidly to the challenge of the Internet,

Visitors to a web site will call centre to a significant soon be able to conjure up a call centre agent in a box in the corner of the screen. If they have a query while looking at the site, they will be able to talk to an agent

Already some companies are starting to provide a voice response. Aegon, the Dutch insurance company, will offer a conversation with an agent to guide customers who are filling in

People who have personal computers with speakers and microphones can take advantage of this service. Others can get belp through a dialogue without voice, or

a "text chat". Lucent Technologies, which develops call centre

Technology for interaction

At first, the resulting to talk to someone at a call uncertainty of transmission centre for a quick response, would perhaps make the experience more frustrating nology officer for software than helpful. But the video facility is coming.

A number of industry leaders, including Microsoft and erating electronic com Cisco, are investing heavily in developing systems. Solu- transactions are not comtions are expected in the next two or three years.

Call centres need to adapt rapidly to the challenge of a web site to persuade them the Internet, otherwise they risk becoming obsolete. The read of Internet usage is likely to generate a big increase in the volume of inquiries to both call centres that extra piece of informaand web sites, especially when the Internet comes to many more people through. digital television.

How this increase is to be handled is one of the biggest problems facing marketing the web site means that comdepartments. Already the web site substitutes for the

port to different nationalities 20 engineers, Filenet can

research group Ovum. "Calls activity."

When a customer tele-

Pressure to

otherwise they risk becoming obsolete

and get an answer. forms on its web site.

Financial services companies will be in the forefront of introducing voice over IP (Internet Protocol), says Ian Ashby, European director of

by video is immature. There are still problems of under- interests of suppliers and developed compression software, lack of bandwidth and lack of priority for voice to route calls to the web to calls on the Internet.

Robie says: "Staff can share their expertise, two people can work on a problem if necessary and we can have a very efficient call escalation There are also economies

oratory," he adds. Thus, if a customer reports

line of code so the develop-"The bigger the call centre, the more efficient it can be," says David Bradshaw, a

The market for multilin-

This means that a member

buildings in Belgium. The Netherlands and the other Benelux countries are

ing," says Mr Valentine. A good example in the US than one language. of what can be achieved is hire car company Hertz's gold card call centre in Oklahoma. This uses similar technology to Graham's to take calls from all round the world. "The centre's local knowledge is so good, they not only know customers' fairly low, starting at £10,000 preferences, they can even (\$6,000) a head. tell them how to get to [Lon-

"Technology can belo staff

avoid that lost-for-words feel-

Other companies with Europe-based multilingual call centres include US computer companies Dell. Gateway, Microsoft and IBM and courier companies DHL and

don's] Heathrow airport,"

says Mr Valentine.

United Parcels. Many multilingual call centres are based in Dublin. IBM's support centre is in Scotland and US company

not wanting to make people work overnight. Sitel, which runs phone-Mergers and acquisitions,

tine, are:

around 900,000 next year.

Key drivers for multilin-

gual centres, says Mr Valen-

• Companies considering

targeting customers from a

remote location for economic

or social reasons, such as

based campaigns for other such as Scottish Power's companies, has two linked takeover of US power company Pacificorp, which could lead to Scottish Power han-

good locations for multilincalls. gual call centres because cit- Improvements in technology which make it easier to izens typically have more set up multilingual centres.

Some companies are also setting up call centres in Finland to serve the Russian market because they prefer the investment climate there. Mr Bradshaw says the phone network or link its technology costs of equipcentres to a customer. ping a call centre agent are

ferent telecoms switches -Ovum research group estifor example, those from Lucent, Nortel or Siemens mates that there are 685,000 call-centre seats in Europe at different sites or within the same building. and predicts an increase to

Graham Technology has software that can provide a standard interface to computer systems at linked sites including legacy (old) scripting software can be used over the Net, interacphone to display scripts in different languages

dling some of Pacificorp's

Innovative products include Genesis "middleware", used by Sitel, which can link call centres at different sites over the public

Genesis gateway software can be used to connect dif-

puter. Calls are then routed to the appropriate support engineers, wherever they are based. Even without much of this information, the system local call-rate number which country the caller is from tive TV or through a mobile and therefore which language is needed

Sitel, which has five telesales centres in the UK, supplies multilingual telesales operations to more than 400 companies in 17 countries. Sitel recently awarded a large software contract to Retail Logic developer of Solve/SE, the online card authorisation system, used at more than 125,000 points-of-sale Filenet installed Apropos that can switch a call in the interactive voice recognition public network - for example, when calls are being software at its European support centre at the end of routed to the US out of November. Callers are asked hours - without the call to enter a code for their site even touching the call cenand a job number and say tre's automated call distribu-

problems with a server compaid for by the customer. Mr Valentine believes there is a lot of scope for multilingual call centres to grow in number. But he says: "They could be overamount of forms-based transactions carried out over the web or by mobile with-

whether they are having tor. This is faster and means the local part of the call is

Geotel provides software out the involvement of a call an electronic, wired world?

centres handling queries by post, fax and phone as so important that it set up a division called Corepoint in November with a range of integrated software to help

customers set them up. pean general manager at Corepoint, says: "In this business area, the number one issue coming up in the maintain customer relationships so that customers will still want to buy from you in



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CADCAM SOFTWARE: FOCUS ON PARAMETRIC TECHNOLOGY

The prominent US cadcam company aims to push its products deeper into the industrial market.

writes **Andrew Baxter**

a company at the same time as managing a successful business is "like changing an aircraft engine at 30,000 feet". So says Steven Walske, chairman and chief executive of Massachusetts-based Parametric Technology Corporation, the world's biggest supplier of mechanical sign automation software. Many corporate executives

in a similar position would describe their company as Mr Walske prefers to call it a "major inflection point". Whatever the description, big changes are under way within PTC that mirror, and alm to influence, developments in the broader market for product and manufacturing information systems as a

According to Daratech, the US-based market researcher, PTC will have accounted for just over 20 per cent of a mechanical cadcam software

The challenge of redirecting \$4.4bn worldwide last year. It reached this position by coming up with a "parametric" approach to computeraided design.

Developed by Sam Geisberg, PTC's Russian founder, this allows a product designer to change part of an on-screen model and leave the software to sort out all the consequential changes to

Mr Walske, a former venture capitalist, joined PTC in 1986. At that time there was no product and he was the fifth employee. "There were four Russians and me. They speak English, so they could hire a receptionist," he

By the early 1990s, Pro/Engineer, PTC's flagship product family, had taken the mechanical cadcam market by storm - it is now in Release 20. Rivals struggled to catch up, and opinions in the industry vary on the

"As part of Lucent Technologies,

JAN NEUTEBOOM. Manager. Software Development

Technologies to find a better communications solution.

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That's how my team of high-flyers developed a countrywide networked

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- from voice and data networking to internet call center applications and

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too. After all, over the past 128 years Bell Labs, our R&D division, has

developed innovations that include the transistor, laser and cellular

technology, even the communications satellite. And eight of our scientists

have been awarded the Nobel Prize - a legacy of innovation that

wireless - are transforming communications throughout Europe.

in Europe to new heights."



Update on computer-aided design and manufacturing (Cadcam)

rent technological lead. Mr Walske, a former venture capitalist, says rivals redefined their product marketing rather than the technol-

Either way, PTC is now generating annual revenues of \$1bn, but that is not due entirely to technology. Its "take-no-prisoners" comfited rivals, although Mr Walske says his sales people are "certainly aggressive, but not obnoxious". He points out that Pro/Engineer is a high-end product aimed already. That sometimes

1997. of Computervision

(CV), a bitter rival in the

that had suffered from years

of ownership change and

financial weakness. CV, for

all its faults, had proadened

its range beyond cadcam

interested in its Optegra

data management software.

As it turned out, says Mr

Walske, Optegra suffered

from what he sees as the

flaws common to all tradi-

tional engineering product

data management (PDM)

says, "is that they only

worry about managing the

cad data. That's not what

customers want. They want

and combine it with data

Fortunately, before the

keover, CV had realised

Optegra's limitations, invest-

company called Windchill

Walske as the next genera-

tion foundation for product

flows from other sources."

nical cadcam market

"You've got to create an environment where people start to consider changing [their cadcam supplier] when there is no compulsion for them to do so."

Unfortunately, however, the market is not entirely like that. People develop religions around the software they have chosen. That tends to get in the way".

Throughout its 14-year history, PTC has remained completely focussed on the echanical cadcam market. ignoring, for example, the market for architecture. engineering and construction (AEC) design software. "It is one of the reasons why we have been so successful.

But that is changing because the nature of the ing in a Minnesota-based marketplace is changing. Technologies, whose prod-uct. Windchill, is seen by Mr People are as concerned with what to do with the [cad] data after they have been created, as in the process of information management creating them. We were slow to recognise that trend."

PTC aimed to achieve this broader perspective, through web-based platform which the \$260m (£157m) takeover, uses Java and web services announced in November

21.7 628.28 202 . 991.43 38**4.2**6 9.8 220.63 8.9 302.88 138.84 5.8 .83 157.43 3.8 135,94 11 95.16 25 97.32 CSCAtion 21 92.46 402.18 207.53 26.4 784.79 73.6 Too Ten

flows of information on a heterogeneous basis - much as a web browser provides a that is held on different servers. Early last year, PTC as the implications of the bought Windchill Technologles, and Mr Walske believes the platform has "twice the commercial potential of Pro/ Rneineer" Release 2.0 of Windchill was announced

As he sees it, there is a big grey area between the world of enterprise resource planning, which can be viewed as transaction processing for when the product design has been completed, and the cad environment in which the

"In between is this funny status of the design as well transactions, and that's where we think there is an enormous opportunity." Windchill, says Mr

Walske, has a unique tech-

nological position in this erea, and PTC wants to become "the player that integrates this entirety of decision support". Turning this vision into commercial reality will require the development of long-term relationships with industrial customers, another area where CV was strong, especially in the European aerospace and automotive indus-

So does Mr Walske agree with those industry observers who see the leading cad suppliers evolving into broader players or even "one stop shops" for all production information system

"No. The problem with our competitors is that they are locked into given architectural solutions which would have to be abandoned... to go to Windchill. A more likely scenario involves the ERP vendors coming into this space, as we move pretty reasonable assumption that our biggest competitor in a decade would be SAP [the German company which is the biggest player in the ERP marketl'

Not surprisingly, thereconsolidation in the mechanical cadcam market. With underlying market growth of 15 per cent a year, and a high degree of replacement business, vendors need strengths both in technology and distribution, he says.

"If you miss on one or the other, you are basically in trouble. One could argue that the industry is already consolidated, down to ourselves and Catia [developed by Dassault Systèmes of France, marketed worldwide by IBMJ. That's a bit of an over-statement, but it has been a two-horse race for two or three years or so." If that sounds like typical PTC arrogance, it is refreshing to hear Mr Walske admit

that the company can occasionally misinterpret market trends. Last summer, as part of a new pricing and packing strategy for Pro/Engineer, it announced the withdrawal of its PT/Products line of basically a facing page. software.



he need for consolidation in

flagship product.

increasingly important middie market for mechanical sign software. But custom ers did not want a limited version of Pro/Engineer which offered no route to its more feature-rich bigger brother. It was a "marketing gaffe", says Mr Walske; instead, the product range and pricing structure needs to be a continuum, which towards it, too. So it's a permits customers to grow as their demands on the software increase. In fact, the summer

months were a pretty torrid

ing at around \$15, and in its first-quarter earnings report last month. Mr Walske said

Meanwhile, how much further can companies like PTC improve the design software itself? If all physical reality is 100 per cent, Pro/Engineer can model 98-99 per cent of it already, says Mr Walske. So the ability to add value at that level is past. On the other hand, he predicts "another huge wave" in cadcam, which he defines broadly as "design re-use".

☐ East European report: see

WEB TECHNOLOGIES

Vendors must move quickly

From previous page:

At present, most companies answer most queries sent from the Internet individually by telephone. This may be a good idea in many cases, but it is labour-intensive and costly. As the volume rises, it will become less practicable.

The request may be sent directly from the web site to the call centre's automatic call distributor and from to the appropriate agent to frame a text Well-trained agents can quickly compose adequate replies to many routine queries, using suitable scripting and helpdesk

This form of interaction will continue to be important for as long as people are reluctant to place orders or enter into contracts on the Internet. At the high end of the scale of functionality. voice over IP - and later. video over IP - will eventually create a seamless inter-

face between the web site

method of response is best for the particular type of query. Dell, the direct sales personal computer manufacinto call centre and web site

inquiries Those who visit the web site tend to be more technologically able, whether they are buying or need technical support, so we have different teams to deal with them," says Barry Collins, Dell's UK Internet business manager. "We do not want our most experienced people working

on elementary queries. The company tries to direct simpler queries to the web site, which can deal with most of them more cheaply, while directing those to which an agent can "add value" to the call centre. The number of agents in its Dublin call centre has trebled to 650 in the past few increased even more if the company had not managed to direct much traffic to the web site.

It remains uncertain how customers will in future choose to interact with the organisations from which they buy. What is clear is that vendors will have to move fast to be able to cope with all the possibilities.



longer

Mual building

time at PTC. The strategic changes and weakness in Asian markets caused the fore, Mr Walske has forth- shares to plunge from right views on the need for around \$35 in late spring to as low as \$81/2 in early

he continued to be cautious about the outlook for the first half of fiscal 1999, but was more optimistic about the second half. He stressed that all the recent initiatives are "long-term positives for the company

plex, high-value financial transactions and matters that are not easily solved by studying the site can be handled effectively and without

and the call centre.

We make the things that make communications work."

No longer a side issue

islation that will oblige man-

ufacturers to take responsi-

bility for collecting old com-

puters for recycling. Failure

to meet certain targets, from

weight for most IT equip-

ment to more than 90 per

cent by weight for equip-

ment which contains a cath-

ode ray tube, will result in

one of the biggest environ-

mental problems in the FF

sector. "In the UK, more

than 4m CRTs, as found in

monitors, enter the waste

stream every year," says

Joy Boyce at ICL, the information systems company, says EC

ing directives could have wide remifications

Laurie Wood, environmental

manager for Decom, a Brit-

ish recycling company, and

chairman of the Industry

Council for Electrical and

Electronic Recycling Euro-

pean forum. "Typically, the

cost of recycling a monitor is

£7 (\$4) and that excludes any

logistics. So the buck being

passed to IT vendors is no

landfills. They leak chemi-

are ground down and recy-

cled in concrete. But there

are concerns then about the

high levels of dust which

such concrete produces, The

lead content of just one CRT

can contaminate 2,000 litres

of water, according to EU

Recycling computer casing

safety standards.

Many CRTs end up in

small burden."

into mobile offices). Studies cals, including eadmium and

a "paperless office" have problem is that there are no

been dashed as more electreal alternatives for dispos-

tronic reports ultimately, ing of CRTs to date. Some

show that long-held hopes of arsenic, as a result. The

The disposal of old CRTs is

plastic is unrecyclable.

resistant coatings which

give off extremely noxious

gases when recycled. Find-

ing alternatives will require

a considerable research

effort. Eliminating lead sol-

der from computers is

another important issue. But

while the environmental

benefits are obvious, the cost

and reliability of alterna-

tives is highly problematic.

However, relatively trivial

alterations to the design of

computers can help. For

example, just reducing the

number of screws used in

assembly and making them

all of the same type saves

much recycling time. Manu-

facturers are considering a

number of strategies to off-

set the expense of recycling.

Some are encouraging corpo-

rate customers to lease PCs

rather than buy them out-

right, so that vendors can

keep control of the complete

But the prospect of EU

enforcement is giving pro-

life-cycle of the equipment.

RECYCLING EQUIPMENT by Mark Vernon

European moves to force the IT industry

prompting some hard thinking

The idea of "green

computing" has not always

been taken seriously by the

IT industry, but pressures

are building up rapidly for a

design, manufacture and use

of computers with more than

a cursory thought to their

impact upon the environ-

ment is no longer just a side

As with other environmen-

tal concerns, green comput-

ing has gained prominence

in recent years to take a cen-

tral position in the strategic

considerations of govern-

ments and the IT industry.

This year, a European directive will push green

computing to the top of the

agenda. Thus the hard reali-

ties of international legisla-

tion will force more compa-

nies to join the ranks of the

computers upon the environ-

ment bave made headlines

ever since people began con-

necting chips of silicon,

doped with some of nature's

most unpleasant compounds,

and passing ever increasing

amounts of electricity

The National Semiconduc-

tor plant in Greenock, Scot-

land was one to attract dam-

aging publicity last year. A

group of workers protested

that solvents known as gly-

col ethers, which were until

recently widely used in chip

manufacture, were con-

nected to a high incidence of

Green computing has gen-

erated more favourable cov-

erage for the industry, too.

There have been predictions

about home computing lead-

ing to fewer commuters on

the road (though mobile PCs

have, in fact, tended to turn

cars - not living rooms -

result in more paper docu-

But in Europe at least,

1999 could prove to be a

watershed. The European

Commission is expected to

ratify the Directive on Waste

from Electrical and Elec-

tronic Equipment in the first

quarter. This will require

ments.

through them.

The detrimental effects of

environmentally conscious.

to take the environment more seriously are

change in attitude. The 70 per cent recycling by

WEDNESDAY FEBRUARY

Pipul in Hus Tumis ers had place to mehille Sprint the apitrations of the unia, and that a think fifte is an emperementy de die **(1) 电面间数 有 14** Bufffink ju igis d PTC wants to the player that intrin matterly of deci-

m Mr Waleds affice **BE HARMALL INJURIES** the the heading cad Mayber on First Con for all tradition Malkes striken

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TECHNOLOGIES

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employed the skills of Hungerian needed for the domestic : information technology market. which was hard at work to transfers to the Soviet bloc.

But Graphisoft soon began working to satisfy more than just the local market. Today, its three-dimensional, object-oriented architectural design software,

Turnover in 1998 is estimated at DM44m (\$26m), almost 20 per cent up on the previous year, around two-thirds of the total stems from Germany. A share issue on Frankfurt's technology-oriented Neuer Markt last June, raised DM92m and valued the company at about DM420m, though the share price has since fallen.

ArchiCAD is custom-made for architecture companies and the building industry. It is especially strong in the smaller and medium-sized section of the NT and Macintosh operating systems, it uses what Mr Bojar lls "a revolutionary ("Virtual Building") concept" for 3-D modelling of buildings. This information involved in designing materials, even virtual reality

As modifications are Building is integrated, changes made in one view are upda all views, saving the architects'

along the way. Using the Virtual Building system, construction documents and files can be derived directly from a 3-D building model with no additional software and virtually no repetitive steps. ArchiCAD also empowers a broad range of other building professionals to use the Virtual Building to plan, design, market, sell, manage and remodel

numerous software innovations

modelling, building simulation, document derivation from the Virtual Building, enhanced visualisation and collaborative architecture, which enables teams

of Hungary's IT industry. Last September, Mr Bolar opened the first stage of a \$30m, seven-hectare IT park on the site of a former gasworks in Budapest Created partly with the small entrepreneur in mind, the park - in - will offer preferential rents to

start-up IT companies. This will encourage Hungarian computer specialists to develop in their homeland, rather than emigrate with their talents, says Mr Bojar. Microsoft, with 50 local employees, has already moved in

But while Graphisoft may be the flagship among home-grown Hungarian IT companies, it forms only a small part of an industry

which forced innovation, says Gabor Dombi, general secretary of the Society of IT Organisations in Hungary. The effort is now paying

Mr Dombi estimates that there are around 500 small companies (employing up to 20 people), plus eral thousand micro-firms serving 100 leading IT companies Amongst the larger domestic companies, systems integrator . Synergon has plans to go public.

Ericsson swiftly set up regional base

Western computer companies quick to move into Hungary for market share after 1990 and the collapse of the Iron Curtain, soon noted the local penchant for information technology. One of the first to exploit this inclination was Ericsson. After winning a switching tender for the then state-owned telecoms company Matay in 1990, the Swedish group set up a two-man joint venture with

Muszertechnika, a locał company Success with local trade and installation work soon spawned a software development operation,

Budapest as its regional base for telecommunication projects, serving countries as far apart as Austria to Uzbekistan. "If we have any problem in Turkey or Sofia, it's dealt with here. We now have a full innovation chain from pure research to design and

and later still Ericsson chose

production," says chief executive Istvan Fodor. Turnover has jumped from \$5m

in 1991 to \$145m, and the company employs more than 600 people in Hungary, it also works with about 150 students at Hungarian universities, who can book time on computers in the company's offices.

Other multinationals, including Nokia of Finland and Sweden's Scala, have followed Ericsson to set up software development centres in Hungary, and Motorola

The development of Hungary's hardware industry has matched, if not outstripped, the successes of R&D and software. Nokia, Philips of the Netherlands and IBM of the

have gone a long way to find a school which could use old George Cook, Charity computers Ruth Bailey, who works in Logica's Energy and Utilities Division, led a team of company volunteers who rebuilt and equipped 10 old 386 PCs and then raised funds inside the company for four staff to fly to Jamaica for two weeks in order to The so-called millennium install the PCs at a school in

to PC Paradise.



green

greatly by good design. "One of the main issues is to minimise the different types of others have been lobbying plastic used," says Mr Wood. the European Commission "For example, even a sticker on the side of a casing introwith warnings that its directive could lead to a contrac duces hurdles, since it has to tion in the electronics indusbe peeled off or the hard try via an indirect expansion of the recycling industry, He also points out that funded by electronics promany plastics have flame

> The economics of comwhat different from other white goods in that PCs do their lives, some parts can be re-used not just recycled: not all bad news for pro-

> mental impact of PCs relatively easily, and save money at the same time. Mike Skora at the Univer-

sity of Michigan has assemand a typical 14-inch moniwatts of power.

The annual cost of a PC system is therefore around \$200, which multiplied by the total number of PCs on the University of Michigan campus as one medium-sized organisation, amounts to millions of dollars and well over 10 per cent of the university's total electricity bill. Mr Skora's green advice essentially adds up to: "Turn | current climate of rapid

ducers course for concern. "We will try not to pass the expense onto consumers." says Joy Boyce, head of corporate environmental affairs at ICL, the UK computer subsidiary of Japan's Fujitsu. "We will have to find alternative ways of absorbing these costs." However, Ms Boyce and



although this can be aided COMPUTING

Silicon Valley, not many people have heard of Hardware Hell or Software Cemetery. But a combination of imminent environmental legislation in Europe and economic pressures on manufacturing processes mean

ducers. "It could, in the extreme see high paid, high skilled jobs in the electronics industry being exchanged for low paid, low skill jobs in recycling," says Ms Boyce, noting that the packaging directive which recently came into effect was having widespread ramifications.

puter recycling are somehave a value at the end of so, taking computers back in

But the IT industry would be much happier if everyone played a role, including responsible consumers. Recycling aside, users can

in fact reduce the environ-

bled a range of compelling green statistics. A conventional laser printer can use as much as 200 watts while printing, and at least 50 watts just idling. This compares with a CPU (Central Processing Unit) running between 40 and 150 watts, tor consuming up to 100

it off when not in use!" He also praises the American Environmental Protection Agency's Energy Star Program, with the logo that now appears on many PCs. Users just need to ensure that their PCs' energy saving devices in the display window of the settings menu are actually turned on.

In an industry that created commercial market. "If a personal computer is based on a Pentium chip, it can still be used by us or sold on through the broker mar-

Finding a way back

from Hardware Hell

NEW USES FOR OLD SYSTEMS by Michael Dempsey

Computers and software can rapidly

often have a useful second life

future for the IT industry.

to support the latest soft-

ware in use at the company

is packaged up and con-

signed to three rooms in the

basement of the company

headquarters. The equip-

ment is labelled and left on a

This reservation is com-

mon to all IT companies

which recycle equipment for

charitable purposes; it is

simply not practical for the

original owner to carry on

supporting old equipment

hard-pressed organisations

mental Programs Manager.

observes that "not many

There is a narrow margin

between these PCs for chari-

with tight budgets.

educational purposes.

become obsolete, but IT equipment can

For IBM, environmental programmes mean much more than just disposing of these locations point to the PCs in a socially-conscious manner. Large computers in the mainframe sector, such Hardware Hell and Software Cemetery are dumping as the AS-400 and IBM/390 grounds for surplus equipseries, are returned to the nent at the central London manufacturer to be recycled offices of Logica, a big UK software and systems house. into leading edge systems. Any computer that is unable

The pace of change in hardware design means that while the external appearance and many of the core components of a large computer may remain the same. key internal parts change totally within two years. "Typically, we can recover

shelf until it can be put to an awful lot of value from use outside Logica. Any these machines," says Mr employee can suggest it be Bushnell. He explains that passed on to another user for circuit boards on large systems like the IBM/390 do Software Cemetery allows not go out of date as soon as any old programs to be used those on a PC. "You can take in the same way. But the a two year-old AS-400 and do key condition attached to all a software-based upgrade of these rejuvenated prodand put it back on the maructs is that Logica has absoket. It makes economic and lutely no liability for any environmental sense." faults or problems that may

IBM chooses to buy some of these systems back from its customers and refurbish them at their original manufacturing sites in Germany

World standard

ISO 14001 is the worldwide that may not be effective in a commercial environment environmental management but can still offer a lot to standard to which IBM is working This is meant to define the manufacturing At the UK operations of process of equipment in a IBM of the US, around 1,000 way that means it can be PCs are handed over to two recycled easily.

companies specialising in Selecting plastics that can be re-used is a typical ISO recycling IT equipment for charitable purposes every 14001 requirement. Mr Bushyear. If this figure sounds nell stresses that these new modest for an operation of environmentally-conscious IBM's size, it is worth standards have a solid ecoremembering that very old nomic basis. "Since the personal computers are of no advent of this ISO-standard use to anyone. And in the in March 1996, 26 of our worldwide manufacturing technical change. Steve sites have been registered as Bushnell, IBM's UK Environcomplying to its standards." The cathode ray tube behind any PC screen con-

charities are looking for a tains bazardous elements. PC that's anything less than primarily lead and cadmium. The disposal of old PC monitors on landfill sites has led to these elements being ties and the equipment that released into the atmocan still be resold on the sphere. As of 2004, European shifting new equipment.



nent, surrounded by a pile of old IT equipment. The

Union legislation will impose strict rules on the way in which IT equipment can be disposed of IBM's recycling policy is thus a step ahead.

One company that benefits from the attitude of IBM is Charity Logistics, a UK government-backed group that takes redundant PCs and assumes responsibility for any legal liabilities resulting from use of the equipment. Employing young trainees at sites across the UK, Charity Logistics takes donated PCs and wipes the hard disk clean of any data.

Logistics' chief executive, is a former commodity trader in the City of London. "We have up to 4.000 PCs in stock at the moment. And we have forward contracts with IBM that could see this rise to 100,000 PCs."

computer "bomb" may be a Montego Bay. nightmare for most IT users. Before this intervention but for Charity Logistics it could mean a windfall. Rather than risk claims for liability, hardware manufacturers will release equipment to its 100 staff who can turn the machines around for charitable and educational concerns. And Mr Cook's staff are not just

"We are working on a soft ware technique that will allow us to take up to 30 old them to one Pentium PC working as a central server."

He sees this as an economical way for schools to obtain high-end performance from old machines. "You can put a network running modern software into a school ".000.0E2

Back in the basement at Logica in London, the staff

from Hardware Hell, the families of pupils able to benefit from Logica's Project Jamaica had to pay out the equivalent of an average week's local salary every term for computer training. At Logica, the process of green computing can mean a journey from Hardware Hell

HUNGARY: CADCAM'S ROLE by Kester Eddy

individual states to pass leg- is no trivial matter either,

Virtual building blocks for a thrusting IT sector

In the post-Cold War era, big multinational groups have been pushing eagerly into the east European market as trade restrictions have been swept away. Hungary, in particular, is achieving notable successes

Back in 1982, when engineers building Hungary's first nuclear power bloc discovered that Soviet pipes differed from Magyar standards, they needed a solution and quickly. So physicist Gabor Bojar, then 33, worked in an attic to provide the answer.

With his 32k byte memory calculator - then a valued possession in Hungary - Mr Bojar beat off competition from wned companies to win the \$30,000 prize. He used this to found his own company, Graphisoft. Through the 1980s, Graphisoft

mathematicians to create software circumvent foreign exchange and restrictions by COCOM, the Nato offshoot which blocked technology

ArchiCAD, is available in 25 languages and is used by almost 60,000 design professionals in more than 80 countries, Mr Bojar

market. Available on Windows 95/ enables architects to control and evaluate the massive amounts of

buildings, including the generation of drawings, renderings, bills of

scenes from the very same project

implemented, information remains integrated, up-to-date and easy to manage. And because the Virtual time and reducing the risk of errors

buildings, it can even assist bankers to help project finance

Graphisoft also claims credit for which are today considered

design, including object-based 3-D

a 486."

of architects to work on the same project via the internet. In developing its own business, Graphisoft has also played a significant role in the development

which Mr Bojar is the moving force

next to Graphisoft's own

which, ironically, benefited in some

of the US is also planning a

US have all set up plants in the past few years. IBM Storage. based south-west of Budapest, was founded in 1995 to

manufacture hard drives. The plant has mushroomed to employ over 5,000 people today and was the largest single exporter in Hungary lest year, selling 4m hard disk drives worth \$1.4bn - 5 per cent of Hungary's entire exports. Production this year is expected to reach 6m drives.

However, an estimate of the overall economic importance of the IT industry in Hungary is hard to reach, says Mr Dombi. This is partly due to the difficulty in defining IT. Nevertheless, in an economy with a gross domestic product of \$47bn, it is clear from the largest companies alone that Π now plays a significant role.

Moreover, the industry is special in another respect, says Mildos Boda, head of research and development at Ericsson. Unlike other sectors, where low wage costs play a significant role in attracting foreign investors, it is the wealth of talent and high standards in mathematics and engineering that attracts the big high-tech concerns to Hungary. "Wages have nothing to do with it. We are working on the next generation information systems. You need competence for that," says Mr

"...because even with SAP, it's the people not the disk that make the difference... Putting SAP to work with Team 121 iii Team 121

Investors click a path to new online markets

Using the Internet to trade in securities is becoming increasingly popular in the US, but the rest of the world still has quite a way to catch up, writes Paul Taylor

Another electronic trading milestone was passed in December when the \$255bn market capitalisation of Charles Schwab, the biggest online broker, passed that of Merrill Lynch, the traditional US retail brokerage firm which vies with Morgan Stanley Dean Witter for the title of the world's largest

securities group. The event signalled the astonishing success of Schwab and other leading online brokerage firms like Toronto Dominion, the Canadian banking group, and E*Trade, the most popular online-only brokerage. Their low-cost, Internet-based, execution-only share dealing services have helped them grab up to 50 per cent of retail share trading in the US within the last four

In 1996, the number of online trading accounts totalled just 1.6m, according to Forrester Research, the US-based IT consultancy. Some estimates suggest that this figure could soar to 20m by the end of next year with 3.5m new online accounts expected to be opened in the

US this year alone. While online trading has yet to take off in Europe or elsewhere outside North America, the success of pioneers such as E*Trade which launched its first online service in 1992 using America Online and Compu-



Focus on IT in finance: electronic broking

which has made perhaps the smoothest transition from traditional discount brokerage to online trading, has been dramatic.

"This is possibly the most exciting area of the Internet we have seen yet," says Roy Smith, general manager for the northern European operations of Brokat, a leading e-commerce software

In the US, online brokerages, some owned by mainstream Wall Street firms, have proliferated, leading to a battle for market share, flerce competition and a price war that has driven prices below \$10 per trade in the case of Ameritrade. another traditional discount Serve - and Charles Schwab, brokerage which has jumped

aboard the online band-

In spite of this, the low operating costs and high volumes have caught the attention of most traditional securities firms, Among Wall Street's biggest groups, Mer-rill Lynch, Prudential Securities and PaineWebber have all been testing online trading and plan to launch ser-

vices early this year. Meanwhile, those traditional brokerages that have already set up online operations are adding more services to their web sites such as research, real-time share price quotes and portfolio management in an effort to capture the "middle ground" - retail investors who want more than just the lowest price execution-only service, but do not need the bells and whistles of a tradi-

tional high street broker. What they all have in com-mon is a desire to emulate the financial performance of the Internet trading pioneers, most of which have recently reported sharply higher quarterly results. For example, Schwab, which had 2.2m active online accounts at the end of December and all online trades, posted a 69 per cent increase in its fourth quarter net income. Meanwhile, E*Trade's revenues rose by 63 per cent in

the quarter to December 31,

ings and revenues at the leading US online brokerages came as US-based online brokers reported increase in fourth quarter trading by customers through their web sites. Schwab said it opened almost 400,000 new accounts in the quarter and that customers made an average of

The advances in both earn-

93,000 online trades a day. Internet traders are trading so much," says Steve Eisman, an analyst for CIBC Oppenheimer, commenting on Schwab's results. Indeed. North American studies suggest that online investors buy and sell up to four times more frequently than those using telephone brokers.

It is these high trading volumes – and the highly desirable demographics of online traders - which have made up for the lower fees, typically \$30 or less, charged by the Internet brokers.

Nevertheless, most online brokers already acknowledge that they will need to enhance their service offerings if they are to prosper in volatile markets. Aside from adding extras such as research reports and premium-priced services to their sites, they are also extending their product portfolios and geographic reach.

For example, Charles Schwab has started selling new shares direct to its online customers and last month. E*trade announced that it planned to take a 28 reflecting the growth in cus- per cent stake in an online get into the primary as well. Schwab and Toronto Domin- and fixed and mobile phone tomer trading volume and investment bank called as the secondary market," ion also have Canadian network operators - includ-



ses and blust talks about the markets

trading network.

E*Offering being set up by Walter Cruttenden and San-Robinson, two well-known US west-coast

Under the terms of the agreement, E*Trade will ave an option to increase its stake in E*Offering, which expects to begin underwriting moderate-sized public offerings for sale to E*Trade subscribers, to 51 per cent. As much as 50 per cent of each deal will be distributed to online retail investors and E*Trade customers will generally have first access to these shares. the company said.

These moves will further fessional traders and institutional investors, and their retail counterparts. "This will allow retail investors to

operations while DLJdirect and E*Trade have plans to Like Wit Capital, another offer online trading in Internet investment bank.

E*Offering plans to undercut În Europe, traditional investment banks, charging companies acknowledging the huge potential, both traditional less than the 7 per cent of brokers and new entrants gross funds typically generated by investment banks have moved more caufor IPOs. Meanwhile. tiously. "We are very much E*Trade is also buying a 25 lagging behind in Europe," says Adrian Man, in charge per cent stake with Goldman Sachs in Archipelago, an offof Brokat's brokerage exchange electronic stock account business. Brokat believes this reflects the The leading online brokers greater penetration of the are also preparing ambitious Internet in North America and the relatively large numgeographic expansion. For ber of retail investors in the example, E*Trade has signed licensing agreements to US. "But there must be bring online trading to 32 latent demand for a high volcountries and already has ume, low cost system," says joint ventures up and run- Mr Smith.

In Europe, Brokat has been working with a number ating in the UK this year. of brokerage firms, banks

ing Vodafone and Cellnet in the UK - on electronic trading systems. However, all the big brokers in the UK are examining online deal-

So far, only two stockbrokers run working real-time dealing systems on the net. Stocktrade, a division of Brewin Dolphin Bell Lawrie; and Charles Schwab, which took over Sharelink in the UK, both started their services in mid-December. But Barclays Stockbrokers, the joint largest retail broker, and several other brokers. including E*Trade's partners plan real-time dealing early

But for all its attractions, European retail investors are likely to discover that online trading is not without problems. For example, long delays and a 15-minute shutdown in-trading last month after its system went down following attempts to ... add capacity to it the previ-

At the same time, the Internet is notorious for slowing down markedly during peak periods. Most online brokerage firms are still smarting from the debacle in October, 1997 when, in the wake of the market crash, many retail investors got busy signals when they tried to trade online. Since then, most online brokers have been desperately adding capacity and backup systems to try and prevent a recurrence of the damaging

that even with such difficulties, most retail investors will eventually be forced to move to online broking or pay more for human contact. feanwhile, as with so many other business sectors, there seems little doubt that the revolutionising retail share trading around the globe.

EUROPEAN ONLINE TRADING by James Mackintosh

Long-term future looks bright

For now, online share-dealing makes up only a fraction of the retail stockbroking market, but it is growing fast

chief executive of US broker- ested in share-dealing, and age firm Ameritrade, com- users of the Internet, who pares the internet to the are wealthier than average.

Oklahoma land grab. tomers and their net present value is \$700. It is better

than mining gold," he says. Ameritrade believes the is plenty more growth in the US market for online share dealing. But it is already looking to Europe, where Mr Ricketts expects Internet broking to take off in a big way in the next year or two. Continental Europe and

the UK are far behind the US because there are fewer Internet users and fewer But both the number of people owning shares and the number of internet users

will grow rapidly, according to several US brokers in the process of setting up European operations.

And there is a happy coin-

Joe Ricketts, chairman and who are likely to be inter-

"It costs a couple of hun-small number of online cusprofits significantly because Internet users trade up to

ket at present, but it is grow-

dictable effects - stiff competition, downward pressure recently, the growth of niche tion and specialist dealing in

On top of that, even a

Online share dealing makes up only a tiny part of the retail stockbroking maring rapidly.
In Sweden, where the long

nights have boosted Internet take-up and there is a culture of owning equities, the big traditional brokers moved on to the Internet two years ago and there are now 14 operating through that

dealing costs and, players providing informa-

atives and mutual funds. Alan Jenkins, senior manager in financial markets at to stick with their existing consultants Cap Gemini, believes this model will be repeated across the contiwinners to be the US brokers, such as Charles Offshoots Schwab and E*Trade, that

busy setting up in The plethora of medium sized brokers that exist in the UK will come under increasing pressure from

new technology. "We expect brokers to make significant investment in automation for straight-through processing, to provide service that does not require human intervention or, without that investment, to become niche players outsourcing their

tions," he says. Mr Ricketts at Ameritrade is not sure this will lead to the success of US brokers in Europe, however. He says:

tend to be more conserva- increasing competition country-specific issues will

"They are going to be more inclined to invest in equities but they are going institutions. I think it is

Outside the UK, most Internet development has been by the execution-only offshoots of large brokers and bank groups, with German online brokers, for example, including parts of Deutsche Bank, HypoVer-

and Dresdner Bank. The success of US-owned start-ups would make a rapid growth in cross-border dealing more likely than if the market remained under control of existing

The recent link-up of the London and Frankfurt stock exchanges, and the potential for Europe-wide ODS exchange, could lead to tant in Stockholm, says

across borders by brokers. continue to dominate for Already two specialist start- years to come. "Europe has ups, including Woqats in Belgium, are planning tural differences," he says. Europe-wide electronic deal- "You have to build up differing. But Mr Jenkins thinks it "ent customer relations in going to be hard for start- is three to five years away each country based on local ups [in Europe] to attract a from being mass market, as issues." come regulatory difficulties

and the easy settlement of trades across borders. Links between national settlement systems are being created. Crest, the British automated settlement system, has already agreed to

work with the Swiss. "It levels the playing field because it potentially means you can go to a broker in any country and they can settle through their domestic system," says Mr Jenkins.

"In future, you might find easier to dial a number that puts you through to ABN Amro [in the Nether-(in the UK)."

However, there is no clear vision for the future. Lars son, an Internet consul-

so many languages and cul-"You have to build up differ-

ning in Australia and Can-

ada and plans to start oper-

hard to agree a common broking is changing so

The first online dealing began in Britain just a year ago, when Charles Schwab Europe, which only covers the UK at present, and several smaller brokers began taking orders through a secure e-mail system.

This has now been upgraded by two brokers, Schwab and Stocktrade, the execution-only (no advice) arm of regional broker Brewin Dolphin Bell Lawrie, to provide fully automated links between the customer and market-maker.

Britain's largest broker, Barclays Stockbrokers, is in the final stages of testing and will launch a similar can agree on - getting just opening up."

system early this year. A online early is crucial. Cap handful of others have also announced their intention to

the Internet is bright. An rely less and less on state support in retirement - will have a growing interest in their lost clients." personal investment, helping stockbrokers. And the single eliminating currency risk view because electronic from cross-border trading within the euro-zone.

Racing ahead

more worried about short-term loss of customers if they fail to develop online trading. All the large UK brokers are rushing develop systems and the big companies are mostly already online. In France, the use of the Internet has been held back by the prevalence of older-established Minitel terminals. But, even there, stockbrokers are now moving quickly

The rush is inspired partly

Gemini warns: "Real savings and profit will be made by

here late, it will cost them aging population - forced to dearly in lost business and cost them more to get on to the Internet later to regain

The long-term winners in Europe will not only tan currency should also boost their local markets but be question is whether this comes under one Europeanwide operation, as US brokers Charles Schwab (see case study on the facing page) and E*Trade are hoping, a series of differently branded operations in each country or a loose alliance of national brokers offering

> cross-border dealing. Ameritrade is betting on loose alliances and has links of Deutsche Bank. But Mr Ricketts admits he does not know how the market will pan out

"We don't know who the big global brokers are yet," he says. "We won't know for by the one point analysts

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it had never been done before. Take an ordinary office machine and turn it into a model of ecological manufacturing. Focus on eliminating waste and saving resources. The result is earthfriendly and economical. Kyocera's Ecosys printer.

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Today, Kyocera's Ecosys printer bears the world's most important symbols of ecological responsibility.* You might say it's a model of environmental design. It wasn't easy to produce. But we think a healthy planet is worth the extra effort.

evoluting Australian Conservation Foundation seal (Australia); Eco Logo (Canada); Blue Angel (Germany); Eco Mark (Japan); Energy Star (United States and Japan); Energy 2000 (Switzerland)

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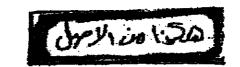
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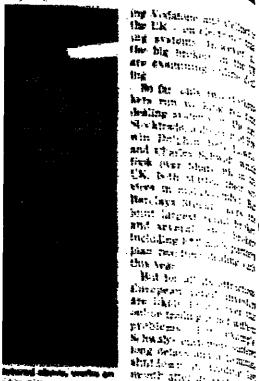
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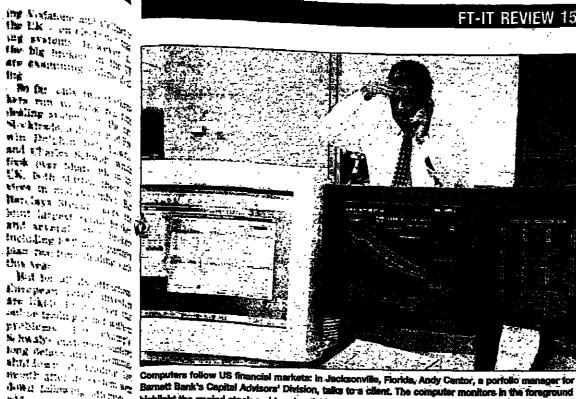
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Computers follow US financial markets: in Jacksonvine, Piorice, Advis venture, a Barnett Bank's Capital Advisors' Division, takes to a client. The computer monitors in the foreground Barnett Barnet



CASE STUDY FIDELITY INVESTMENTS

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Fidelity's pension fund site.

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customers educate

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educated customer is

long-term oriented, and

doesn't panic," says Mr

Local seminars

Looking ahead, Fidelity plans

to leverage its online service

even more by personalising

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how to prepare your accounts

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with the Software System

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Online in the Internet: electronic business

for clients

Reynolds.

investing their money, and

"The Net is helping our

themselves, and that is great

how much they can expect to

allows users to come up with

By putting information on

age, earnings, financial needs

of the service is a

The online service offered by Fidelity Investments has become an integral part of the Boston money manager's strategy of the Boston money manager's strategy

Fidelity investments has been office business is the the taken aback by the strength of response to its online product for 401(k) US pension

Of 5m participants, about 80,000 access the online service each day. That is more than make telephone contact with their programmes on a daily basis, and three to four times what it was a year ago.

- 1, 1, 1, 1, 1, 1, 2 "The internet has grown a iot faster than many predicted, says Bob Reynolds, president of 11. Fidelity's Institutional Retirement group.

retirement plans to companies over the US. Those progrations in turn offer the product to their own employees.

Table 152 At first, Fidelity Investments feared that allowing all these guestions in a cost to customers to shuffle around accounts online might make the tunds unstable. The \$470 - THE PARTY START © Surprise is that, while participants have become extremely active, they spend ing a service the bulk of their online time Name of the state and educating themselves on BATT, HA THERE S. C. C. Their options.

"What we see is that, while Angenia people do move funds from bonds to stocks or emerging markets to the US, the number of transactions that BOTH COLUMN STATE of Investment of the Park Internet users make is comparable to customers who only access their plans off-line," says Mr Reynolds.

says Mr Reynolds. "Online services will let us focus more on the person, and less on the corporation sponsoring Planning and education the pension account." have become mainstays of it is not clear when, or

whether, the internet will yield One of the most popular parts cost savings for the company. While each transaction is cheaper online than by elephone, says Mr Reynolds, building a presence is tremendously expensive.

for immediate retirement,"

Fidelity is spending about \$500m annually on building a web presence, about \$35m a customers to get a better idea year just on retirement Regardless of cost,

Fidelity's online service has become an integral part of its strategy. The company is using its web presence as a selling point to clients.

"We were among the first to provide account balances, the ability to make transactions and personal planning tools over the web," says Mr push to be leader."

Once personalisation kicks in, the company may also manage to use the web for cross-selling purposes Knowing details about customers, from their age to their investment preferences. is valuable information and can help Fidelity target clients who are most likely to be interested in specific

Depending on their postal "The internet is an code, for instance, clients important part of our might receive information on corporate strategy," says Mr 401(k) seminars in their area. Reynolds. "It is a priority for "If you are 30 years old, you don't need information about

Victoria Griffith

CASE STUDY

Web site attracts up to 20m hits a day

Online customers often have less need of personal contact and can obtain all they need via the Web

Online tracing by private Investors has surged to new heights in recent months, with one brokerage firm playing a particularly prominent role.

Last autumo, the internet became the main communication method for clients of Charles Schwab, vith the number of online transactions growing to 54 per cent of the total. Charles Schwab, the largest US discount brokerage, last month reported record fourth-quarter net profits of \$106m, helped by a surge in online trading and asset management fees. The company opened 1.4m new accounts in the past year and now has 5.6m customer accounts.

The number of online accounts with the firm has virtually doubled in each of the two years since it enhanced its online access from a dial-up link to its own computers, using special oftware, to a simpler web site approach.

It now has well over 2m online accounts. These account for more than a third of the \$491bn of assets the firm manages.

This growth has made Charles Schwab by far the biggest force in online trading, even though its transaction charges are among the highest. In addition, far from using this response to cut traditional personal services, i has opened 55 new offices in the past two years, taking its total to 289. It believes that the continued emphasis on traditional services is helping

to boost the acceptance of online trading among investors.

"More than 50 firms now offer online trading in the US." savs director Greg Gable. Some operate only over the internet and are fighting a price war, with trade fees as

"We charge \$29.95 for up to 1,000 shares, yet we have become the biggest online

"Some people just want 'bare-bones trading', but most of our clients want a combination of automated and personal services. People are prepared to pay for services they want."

Online investment trading was always going to have a good chance of success because of the affluence and nature of the users. Some 70 per cent of Charles Schwab's US customers have PCs, compared with a national average of around 50 per cent, and 60 per cent have

Even so. Mr Gable outs the online trading success down partly to the fact that the firm is well-established and known among private investors in the US and partly to its belief that those investors want different access methods. "Brand and trust are very important," he

Internet access.

"More than half our customers have visited a branch office. People like to see who they are giving their money to.

"We have created a richness in the information

when people want personal contact, for example to talk through a new type of account or to help with an nvestment decision. There is no charge for

site, but there are still times

these services. "We find that our online customers still use all channels - the Internet, our offices, telephone or personal contact with our brokers and advisers, and our automated

The difference is that the online customers have less need of personal contact. obtain all they need through the web site, It covers different types of investment with planning and guidance facilities on, for example, how best to achieve short-term gains or make longer term

retirement preparations. Company and investment news and information from more than 80 sources is vailable. Performance data and analysis facilities help users evaluate US mutual funds.

Searches can be made for stocks which meet specified performance characteristics. Customers can obtain search reports and quotes on sectors and Individual stocks and trade online.

Payment is usually by cheque or by transfer from accounts held with Charles Schwab and topped up through periodic electronic funds transfers from a customer's bank.

"There are tools on the site which until recently, you might

find used only by specialists in a broker's research centre," Mr Gable says.

Many clients without PCs can still use the service. Computers with links to the Internet are being set up in the lobbles of Charles Schwab

Charles Schwab is investing heavily in getting even more customers online. It has consulted customers widely on the design of its web pages and these have been much improved in the past year. Mr Gable points out that so much information is available that it has to be packaged properly to be of

In addition, the firm has run highly popular evening seminars to show customers the service and how to make the most of it. Even though Charles Schwab is opening more offices, the internet service is saving it money while introducing the brokerage to potential clients outside the US, where it is not well known.

"We sometimes get 20m hits a day from across the world, and we have worked out that to handle the number traditional way, we would need 15 more call centres. whereas we currently have four," says Mr Gable. "Traditionally, someone

following a stock might hear a rumour and phone a broker, who finds a report and reads it over the phone. Increasingly, that customer is going online to find the nformation and analyse it at

"In addition, we can add new services easily, and new languages. We have opened a Hong Kong office and now provide services in Mandarin and Cantonese on the Web."

Charles Schwab bought the Sharelink service in Britain in 1995. but says UK investors are some years behind their US counterparts in actively managing their investments. It is now researching Internet use in other countries before planning local promotions of

John Kavanagh

FT-IT REVIEW THEMES IN 1999

Focus on IT strategies for digital business

The Internet and e-commerce will be prominent among the themes featured in the FT Review of Information Technology this year as companies and their customers move increasingly online

including:

insurance.

date issue.

□ Electronic business.

ext month's FT-IT , D Second theme: Java Review will high-light changes in the Plus regular features, IT industry. This issue, on Wednesday, March 3, will also examine the impact of IT on the media world and look at the IT systems used by the new European Central Bank.

Throughout 1999, the review will carry regular features

☐ IT in finance, with a special focus each month. Electronic business. ☐ The millennium date

☐ IT news update.

Each issue will include a main theme, with a cover story on a topic of key importance to IT users, together with views from leading suppliers in the IT industry, plus our regular IT News Update.

Business Solutions Series

During the year, there will also be a series of special issues on Business Solutions in the areas of knowledge management, enterprise resource planning; plus managed services and outsourcing plus a special issue on

March 3

Main theme: The world's largest IT show takes place in Hanover, Germany, in March and our main theme will be: The IT Industry in transition.

 Second theme: IT and new media. Plus our regular features, including IT in finance - focus on

the European Central Bank. D Rectronic business. ☐ Update on the millennium computer date issue.

April 7 2 Main theme: Internet There will be no issue of the review in August.

September 1

ing.

☐ Second theme: Supply chain management. Plus regular features, including:

□ IT in finance - focus on risk management. □ Electronic business ☐ Year 2000 update. □ Update on the millennium

May 5 ☐ Main theme: Mid-sized enterprises - selecting IT

strategies. ☐ Second theme: Telecommunications - increasing convergence in information and communication technologies.
□ Plus regular features,

☐ IT in finance - focus on venture capital. □ Electronic business. ☐ Year 2000 update.

June 2

☐ Main theme: Windows what's at stake? ☐ Second theme: IT in manufacturing: focus on the cad/ cam sector. ☐ Plus regular features including:

☐ IT in finance - this month's emphasis is on personal finance. □ Electronic business. ☐ Year 2000 update.

July 7

☐ Main theme: Electronic commerce and the wired ☐ Second theme: IT and the law in the run-up to the year

☐ Regular features, includ ing: [] IT in finance - focus on retail banking.

□ Electronic business. □ Update on the millennium date issue: focus on specific husiness sectors.

□ Main theme: IT in retail-

☐ IT in finance - focus on

October 6

☐ Main theme: Continuity planning ahead of the millennium "bomb". □ Second theme: IT in education. ☐ Plus regular features.

including: ☐ IT in finance - focus on investment banking. ☐ Electronic business

November 3 ☐ Main theme: Continuity

planning for the year 2000 (part two). ☐ Second theme: IT in travel and leisure. Plus regular features. including: ☐ IT in finance - focus on

December 1

fund management.

□ Electronic business.

☐ Main theme: The Cyber ☐ Second theme: IT in the search for the stars. ☐ Plus regular features, including: ☐ IT in finance - focus on securities markets. □ Electronic business

☐ Focus on the imminent

ear 2000 date issue. Business **Solutions Series** and mid-month IT

specials: During the year, we will also publish a series of extra

issues, including: ☐ E-Business: March 24. Knowledge Management: Grand

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☐ Enterprise Resource Planning: May 26.

Managed Services and IT Outsourcing: June 23. In addition, the FT-IT

Review will carry special

April 28.

features during 1999, includ-☐ South Asian Software Development: July 7.

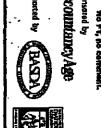
□ Working in the IT Industry: October 6. ☐ India's IT industry: December 1. Meanwhile, during Febru-

ary, March and April, a 12part tabloid series, called Mastering Information Management is also appearing with the FT. The first issue, edited by Tim Dickson. appeared on February 1, with the focus on improving company performance. The next issue on February 8 will focus on competing with information. For details of back copies, call: +44 (0) 181 688 6323.

For more information

Editorial synopses: For more details of the next two issues of the FT-IT Review, (excluding the series on Mastering Information Management), please use the special fax-u-back service on: 0990 209 903. (Callers outside the UK dial exit code: +44 990 209 903). In the event of problems, send a fax request to Rowena Carr-Allinson, FT-IT Review on 0171 873 3197, or e-mail: Rowena Carr-Allinson@FT.com

Advertising: full details plus e-mail addresses relating to the FT-IT Review and the Business Solutions series can be found in the information panel on page three of this current issue, or write to the Financial Times, Number One, Southwark reviews on key business Bridge, London, SE1 9HL.



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The Millennium Bomb - 47 weeks away

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Russia is 'extremely vulnerable'

Plans to defuse the so-called millennium 'bomb' are under-control, insists Russia's defence minister, but this view is at odds with the analysis of many western observers

There is one truism in the announced that the 700-man debate over the potential effort had rendered over half debate over the potential impact of the millennium computer "bomb": for every dire warning of a catastrophe to come, a placating statement of reassurance will be made in return.

Given its strategic and security roles, as well as its widespread reliance on tech-nology, the defence industry has attracted more speculation and official bolstering

Consider Britain, for example. In November, Taskforce 2000, the independent pressure group, unveiled a report on the so-called Y2K issue which highlighted the UK's ministry of defence as one of a handful of government departments which faced severe difficulties in attempting to check and fix its computer systems by

Less than a month later, George Robertson, the UK defence secretary, called a press conference to allay any fears. Outlining a £200m (\$120m) programme, he

the armed forces' computers and electronic systems mil-He also stated that:

☐ There would be no risk of an accidental firing of nuclear weapons through computer error. Royal navy ships and submarines would have their

systems checked and verified by August 1999. ☐ Royal Air Force aircraft. would be millennium compli-ant by January 1, and be capable of full mission capa-

bilities by May next year.

unplacated, however. Robin Guenier, head of the independent think-tank, points out that the government put the number of systems which needed checking at more than 20,000, a year ago. This figure has now been whittled down to 1,000 "mis-

sion critical" applications. "Prioritisation may make the job seem easier - but the other 19,000 haven't gone away," he says. "Are they

going to get fixed this year? I think the MoD is doing a

However, the scale of the challenge for the UK government pales in comparison the US and Russia. Analysts estimate that the testing the two countries must undertake runs into literally millions of systems, all of which are susceptible to the change of date from 1999 to the new

The BritishAmerican Security Information Council (Basic), an independent research organisation, recently produced a damning report on both countries' readiness for the millen-

voiced by John Hamre, US deputy defence secretary, in a recent interview. "Probably one-out-of-five days I wake up in a cold sweat. thinking Y2K is much bigger



New missiles deployed: Russian defence minister Igor Sergeyev, left, meets officers at the control centre of the 104th Missile Regiment near the village of Tal

other four days I think problems facing the US maybe we really are on top. of it. Everything is so interconnected, it's very hard to know with any precision that we've got it fixed."

☐ The US armed forces form

an immense organisation with numerous computerbased interfaces between agencies and services, all of which must be identified for year 2000 vulnerablilities. The potential for "infection" from outside systems is an added concern.

oftware that are often pro-☐ Shortages of skilled pro-

☐ The Pentagon's systems

grammers is exacerbating

mission-critical" level is a highly complex task. ☐ The armed services have traditionally cut costs

by relying on low-cost commercial off-the-shelf chips that are generic and may have time functions incorporated in their operation.

The ad hoc development of the armed forces' weapons systems, both from a technological and military point of view, has led to "a vast web of poorly-understood connections between organisational units and technically complex computer systems, all of interdependence in their

nission-level operations. This interdependence is of particular concern with regard to the US nuclear arsenal. The Basic report gives the example of the national network of Command, Control, Communications and Intelligence systems, or C3I as it is

Its ability to monitor the nuclear activities of other nations, detect sea-launch missiles, monitor airspace and track the flight and delivery of warheads, is based upon "a highly interdependent conglomeration of radar arrays, satellites, com-munications cables, and so

lated test by C31 technicians in 1993 when they rolled the date forward to January 1. 2000. The system was blacked out. However, true to form, the US governmen has played down fears over any inoperability of its frontline defence capability, insisting that preparations

Their confidence does not appear to extend to the for-The past year has seen countless offers by the west,

European states prepare for

Yet, according to the Russian authorities, the situation is "under control". Igor Sergeyev, Russia's defence minister, picured above, said last year that "this problem mostly affects sectors where they use conventional comno danger for nuclear weap ons, since in the Strategic Missile Forces we use special technologies."

This view is at odds with the analysis of many observers. The Basic report quotes Sergey Fradkov, a former Soviet satellite control technician, who says from his industry that "Russia is extremely vulnerable to the year 2000 problem and an

the months ahead

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Full details of forthcoming issues of the monthly FT-IT Review, plus a series of special mid-month issues

during 1999, can be found on Page 15 of this review.

accidental launch is poss ble." Even if the truth in all these situations is somewhere in between the pessimists and the optimistic official versions, many aspects of the defence industry leave no measure for part-failure.

vation of some sensitive destructive weapons systems. Given the continuing debate over the readiness of different countries' nuclear weapons systems, it would seem to be a most sen-

This article on Y2K issues is one through both the US and the of a series by Christopher Price European Union, to help in the monthly FT-IT Review

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